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THESIS

PROFESSIONAL, ORGANIZATIONAL, AND TRAINING WEAKNESSES IN SMALL PURCHASE WITHIN THE DEPARTMENT OF THE NAVY

by

Kurt R. Huff

and

Randle D. Bales

June 1984

Thesis Advisor: D. V. Lamm

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Professional, Organizational, and Training Weaknesses in Small Purchase Within the Department of the Navy

by

Kurt R. Huff
Lieutenant Commander, Supply Corps, United States Navy
B.S., United States Naval Academy, 1975
M.B.A., National University, 1980

and

Randle D. Bales
Lieutenant Commander, Supply Corps, United States Navy
B.A., Stanford University, 1974

Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

This thesis examines the professional, organizational, and training weaknesses of intermediate level small purchase personnel. The intent of the study is to ascertain shortcomings in the above areas, to recommend an organizational and professional framework within which to conduct training, and finally to recommend the essential elements necessary for an effective intermediate level small purchase training program. A general format for a proposed training guide is suggested, and an example of the types of information that should be included is provided. An examination of costs and potential benefits is also provided in order to allow the reader to assess the financial aspects of a training program as recommended. This thesis also recommends areas for future study that may lead to increased productivity in small purchase. Specific conclusions and recommendations regarding the current state of small purchase are also made, as are recommendations for specific areas of management action to improve small purchase in the future.

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I. INTRODUCTION

A. FOCUS OF THIS STUDY

Federal acquisition is a broad spectrum of policies and procedures that direct and execute the efforts of a vast number of military and civilian procurement personnel in the Federal Government. This study will focus on a fairly large microcosm of those personnel associated with Government procurement, namely civilian personnel that are involved in small purchase. This study will additionally confine itself only to intermediate level personnel that have been purchasing agents for a period of time, and have completed both on-the-job training as well as the entry level small purchase training course offered by the Department of Defense (DOD). This study will also be confined to findings and recommendations regarding small purchase personnel within the Department of the Navy (DON).

B. OBJECTIVES

The primary thrust of this research is to identify the specific training needs of intermediate level small purchase personnel within the Department of the Navy, and to present a proposed training plan to satisfy those needs. A recommended method of training implementation will also be proposed, and the costs associated with implementing this plan will be examined. Further, current deficiencies in professional development and organizational practices will be examined in order to establish the context within which this training must be conducted. It is hoped that as a result of this paper, the Department of the Navy will have a

useful and viable delineation of the most significant training and performance weaknesses of small purchase personnel, and a training plan that can be utilized by field level activities to improve the training and hence the performance of intermediate level small purchase personnel.

C. RESEARCH QUESTIONS

In consonance with the above stated objectives, the following research question was addressed:

> What are the training needs of intermediate level small purchase personnel and how can these needs best be met?

In support of the primary rearch question the following ancillary questions were also addressed:

1. What are the current training shortcomings as viewed by the Commander, Naval Supply Systems Command (NAVSUP) staff, Field level supervisors within the small purchase system, and small purchase personnel themselves?

2. What follow-on or advanced training for small purchase personnel is desired by the Commander, Naval Supply Systems Command staff, field supervisors, and intermediate level small purchase personnel?

3. What small purchase training programs presently exist for small purchase personnel at the basic or entry level, and at more advanced levels?

4. What is the current level of formal training of intermediate level small purchase personnel in the Department of the Navy, and what are the sources of the training that do exist?

5. What other sources of training exist and are available at the field level for field small purchase personnel?

6. What training is currently required for career development of small purchase personnel at the intermediate level?

a. Who is responsible for conducting this training?

b. Is this training utilized?

c. Is this training adequate?

7. What other factors, if any, influence the success of training for small purchase personnel?

8. What are the costs associated with implementing the proposed training program?

D. RESEARCH METHODOLOGY

The information utilized throughout this study was derived from interviews of personnel at NAVSUP Headquarters, supervisors at various field purchasing activities, and from interviewing small purchase personnel. An extensive review of purchasing directives and policies was also conducted. Formal as well as informal training guides at several large field activities were also reviewed, as were data from past small purchase inspections conducted by both NAVSUP and the Naval Audit Service. Additionally, policy level personnel within the Federal Acquisition Institute, the General Services Administration, and the Office of Federal Procurement Policy were interviewed.

The literature utilized in this study was compiled from multiple sources, including the Defense Logistics Information Exchange (DLSIE), the Defense Technical Information Center (DTIC), the General Services Administration, current Federal and Department of Defense regulations and supplementary directives, previous theses,

and a review of current publications and periodicals relevant to the field of Federal procurement.

E. SCOPE OF THE STUDY

This study is confined to a specific subset of Federal procurement personnel, namely those civilian small purchase personnel who have been working in the field of Department of the Navy small purchase and who have advanced beyond the entry level in terms of experience, knowledge, and responsibility. As such this study is directed toward General Schedule employees in the 1105 and 1106 series. Within the scope of the duties frequently associated with GS-1105 and GS-1106 personnel, only those small purchases for supplies and services within the purview of NAVSUP will be addressed. On occasion, these personnel are tasked with procurement of construction and other facilities related-purchases that are normally under the purview of the Commander, Naval Facilities Engineering Command. An examination of these procurements will be specifically excluded.

F. LIMITATIONS

This study has suffered from the common problem of limited resources in terms of time and funding, however it is felt that sufficient personal interface with personnel that set policy, and who direct and execute small purchase within the Department of the Navy was conducted to ensure that the most pressing problems in small purchase were addressed.

G. ASSUMPTIONS

Throughout this research report, it is assumed that the reader is familiar with the Federal Acquisition process and the limitations and idiosyncrasies of small purchase. It is further assumed that the reader is familiar with basic Naval terminology and with basic contracting and acquisition terminology.

H. DEFINITIONS

1. Vendor/Supplier/Contractor: In the context of this research report the terms contractor, vendor, and supplier will be used interchangeably to indicate parties that provide supplies and services to the Government.
2. Small Purchase: Small purchase is defined by the Federal Acquisition Regulation as the acquisition of supplies, nonpersonal services, and construction in the amount of $25,000 or less [Ref. 1], [Ref. 2].
3. GS-1102: GS-1102 personnel are those that are tasked with acquisition for items totalling more than $25,000, and are referred to as Contract and Procurement specialists. These personnel are the "professional" acquisition workforce, and the average grade level of these personnel in the Federal Government is between a GS-10 and GS-11 level.
4. GS-1105: GS-1105 personnel are termed purchasing specialists and are the cornerstone of the small purchase function within the Federal Government. Their specific job tasking is in the small purchase field, and they comprise the vast majority of personnel performing the small purchase function within the Federal Government.
5. GS-1106: There are two categories of GS-1106 personnel; procurement clerks and procurement assistants. In general, procurement clerks are utilized in the small purchase

function whereas procurement assistants are utilized in the contracting functional area. For the purpose of this research effort, GS-1106 personnel will be included with GS-1105 in the analysis and recommendations of this thesis.

I. ORGANIZATION OF THE STUDY

This thesis is organized in such a manner that the reader is given a general background into the framework and problems associated with small purchase. Areas of professional, organizational, and training weaknesses are discussed and examined, as are recommendations to improve the performance of intermediate level small purchase personnel.

Chapter II provides necessary framework and background to establish a general setting for the focus of this effort. Chapter III examines and discusses professional development weaknesses that have consistently plagued small purchase personnel and that have been the genesis of many of the training and performance shortcomings discussed in later chapters. Chapter IV reveals and discusses organizational shortcomings that have exacerbated other structural weaknesses and that have in themselves contributed significantly to turnover, inefficiency, and less than acceptable performance in many areas of small purchase.

Chapter V presents and discusses the major areas of training shortfalls that were uncovered in the course of this study. Problems are stated, causes and contributing factors are examined, and solutions are proposed for each of these areas of deficiency. This Chapter is addressed toward policy and management level personnel as they must be the origin and impetus for any concerted effort to improve small purchase performance. Chapter VI presents a proposed format

to be utilized for constructing a viable training program that addresses the areas of weakness that the researchers have uncovered. This Chapter will also present a sample training guide for one of the specific areas of weakness discussed in Chapter V. A brief cost and benefit analysis of the implementation of this study follows in Chapter VII to allow the reader to ascertain the financial impact of implementing the proposed training. A summation of the research and it's potential impact is provided in Chapter VIII, which also provides the researchers' conclusions and recommendations relative to this research effort. A plethora of appendices that include a list of interviewes, a summary of small purchase personnel manning levels, a summary of selected statistics, and numerous references and directives that the research has found would be useful as a ready reference to small purchase personnel are also provided.

II. FRAMEWORK AND BACKGROUND

A. FRAMEWORK

Government procurement in the strictest sense is the procurement of supplies and services necessary to operate various segments of the Federal Government in an effective and responsive manner. It has, however, evolved into a political, social, and economic instrument of the highest order. The Congress has viewed Federal procurement as a convenient means of effecting and furthering specific social, political, and economic goals, and as such it has been the subject of significant legislation and intense scrutiny. In this, an election year, the Federal budget has become a central issue; and as the most significant aspect of the ever burgeoning budget, DOD procurement has come under ever increasing examination. As the Executive and legislative branches of the Government search for areas in which to trim the budget, procurement efficiency and effectiveness will receive increasing attention and criticism.

As previously mentioned, Federal procurement accounts for a significant portion of the Federal budget. In fiscal year 1982, procurement amounted to more than $ 158 billion, or slightly more than 21% of the Federal budget [Ref. 3]. Spending by the DON accounted for nearly 31% of these procurements, or over $49 billion [Ref. 4]. The recent report to the President by the Grace Commission (The President's Private Sector Survey on Cost Control) recognized the impact of DOD procurement upon the budgetary process, and cited potential savings of $4 billion if procurement techniques and execution were performed more

effectively and efficiently by the DOD [Ref. 5]. While those familiar with DOD procurement are skeptical of these projected savings, personnel at all levels recognize the need for improved purchasing and it's attendant cost savings.

To date, the focus of the majority of studies regarding the military procurement system have been upon the acquisition of major systems, which in many instances individually represent the outlay of billions of dollars. Major systems acquisitions are costly, and account for 92% of the total procurement funds by the Federal Government. By contrast, small purchase actions totalled over 18.3 million individual actions in fiscal year 1982, although accounting for only 7.5% of total dollar outlays [Ref. 6]. Small purchase within the DOD accounted for over 12 million of these actions, with an associated value of over $12 billion [Ref. 7]. As of late, more attention has been directed to this heretofore ignored segment of procurement, and legislative and executive involvement has increased accordingly. Public interest has also been fanned by recent sensational stories, such as accounts of spare parts overpricing.

At this juncture, the reader may query, "What exactly is small purchase and how is it implemented within the DOD"? As previously defined, small purchase is the acquisition of supplies, nonpersonal services, and construction in the amount of $25,000 or less [Ref. 8]. The dollar threshold for small purchase was increased to $25,000 from $10,000 for Defense Agencies in fiscal year 1982, and as a result the scope of small purchase has increased dramatically. The key tenets of small purchase are that it is a simplified set of procedures effected to reduce the administrative burden of relatively small dollar value purchases, and to increase the opportunity for small and disadvantaged businesses to obtain a fair portion of Government contracts. As we shall discuss

in some measure later in this thesis, these objectives have merit, however they are often in conflict.

B. BACKGROUND

Small purchase procedures have been developed to reduce administrative costs while retaining an acceptable degree of control over the small purchase process. Federal Acquisition Regulations and implementing instructions by the agencies are a compromise between controlling administrative costs and controlling pricing and source selection. The Federal purchasing system itself has evolved over the last two hundred years, and has it's legislative roots in 1809 when the Congress required that all purchases and contracts for supplies and services shall be made by either open purchase, or by previously advertising for proposals. The intent of this legislation was to ensure that contractors were not favored over one another, as that had been a significant problem to that time. During the course of the next one hundred years, Federal contracting became codified in opinions of the Courts and additional Congressional legislation, as well as agency tradition. The advent of World War II, however, prompted Defense agencies to realize that formal advertising and it's associated clerical and administrative burden were too cumbersome to respond to events in a national emergency. After World War II, Congress formally recognized this fundamental shortcoming in the Armed Services Procurement Act of 1947, which authorized Defense agencies seventeen exceptions to formal advertising. Included in these exceptions is the waiver of formal advertising for small purchase [Ref. 9] [Ref. 10], and thus the genesis of present-day small purchase authority and procedures.

C. REQUIREMENTS

Organizationally, small purchase is usually a separate and distinct division within the procurement office and, as such, operates in a completely different environment than purchases in excess of the small purchase threshold; commonly referred to as contracts. In an effort to implement the desires of the Congress regarding small purchase, Federal agencies have published specific directives and regulations regarding the limitations and requirements for small purchase. In order to simplify purchasing for small purchases, exceptions to convention regarding competition and formal advertising have been authorized and are the basis upon which small purchase is implemented and executed. The intent of these exceptions is to recognize the tradeoff between the administrative cost of placing repetitive orders for small dollar value items and the desire to have competition, documentation, and contract advertising of some nature.

One of the key aspects of small purchase is that purchases of less than $1,000 can be made without competition. The only caveat placed upon the Contracting Officer or buyers is that business be rotated in an equitable manner and that prices paid in the absence of competition be judged as "fair and reasonable" [Ref. 11]. This waiver of the requirement for competition recognizes the administrative burden, attendant costs and inefficiencies that would result from soliciting competition for small dollar value procurements. The waiver of the requirement for competition for purchases of less than $1,000 [Ref. 12], is probably the most controversial aspect of small purchase, as the Congress has always subscribed to the theory that competition is the cornerstone of free enterprise and is necessary to avoid the opportunity for fraudulent pricing on the part of suppliers.

The Congress has recognized, however, that the burden associated with ensuring competition is oftentimes more costly than the administrative efforts necessary to solicit competition and thus obviate unethical pricing by vendors. The report of the Commission on Government Procurement says of competition:

> Competition is not a procurement technique. It is a phenomenon of the marketplace and the extent to which it exists in any given marketplace ordinarily is not influenced by the method of procurement employed. Competition is the effort of sellers, acting independently of each other and offering products or services that are reasonably close substitutes for those offered by other sellers, to secure the business of the buyer proposing the most attractive contract terms. [Ref. 13]

Present day small purchase can be subdivided into four basic dollar constrained categories that define the amount of competition and advertising required before making a purchase. Small purchase can also be divided into two categories relative to the requirement to reserve business for small and disadvantaged concerns. Figure 2.1 is a graphic representation of these relationships.

As can be seen from Figure 2.1, there are three major categories of small purchase. Procurements of less than $1,000 that do not require competition, and are reserved for small business; procurements in the range $1,000 to $10,000 that require some degree of competition and advertising, and that are reserved for small business; and procurements in excess of $10,000 that are substantially similar to the requirements of formal contracting above the $25,000 threshold, and which are not reserved for small business. Subsequently, small purchase personnel are now required to possess a diverse range of knowledge and skills as they may make non-competitive small procurements or may become responsible for a negotiated advertised procurement of significant magnitude.

Dollar Value of Procurement	Extent of Competition and Advertising
$0-$1,000	* No Competition Required
$1,000-$4,999	* Competition required to the maximum extent possible (1) * Encouraged to post a notice of intended purchases
$5,000-$10,000	* Competition required to the maximum extent possible * Must post notice of intended purchases
$10,000-$25,000	* Competition required * Purchase must be synopsised in the Commerce Business Daily (CBD) (2)

(1) $0-$10,000: Purchases in this category are unilaterally set-aside for Small and Disadvantaged Businesses.

(2) $10,000-$25,000: Purchase in this category are not set aside for Small and Disadvantaged Businesses.

Source: Researchers

Figure 2.1 Small Purchase Categories.

Procurements in the first category are relatively simple, as small purchase personnel are relieved of most of the requirements for documentation and other clerical duties. They must, however, determine that the price the Government pays is fair and reasonable. Although competition

in itself is not required, buyers are required to ensure that purchases in this category are fairly and equitably distributed throughout the business base.

The second category of procurements is somewhat more complex, however it is not substantially different than procurements for under $1,000. Small purchase personnel are required to obtain adequate competition for procurements in this range, and are also encouraged to solicit at least three bids to ensure that prices are in fact competitive. Additionally, for purchases between $5,000 and $10,000, buyers are also required to post a notice of anticipated procurements in a public place so as to afford local businessmen the opportunity to ascertain the scope and extent of expected small purchases above this nominal value by the Government [Ref. 14]. Buyers are also encouraged, but not required, to do the same for procurements of less than $5,000. The most important aspect of all purchases under $10,000 is that they are unilaterally reserved for small and disadvantaged businesses, with few exceptions [Ref. 15].

The third category of procurements with which small purchase personnel are faced is that of procurements in excess of $ 10,000 but less than $25,000. This category is the most recent addition to the duties of small purchase personnel, and is the area where the idiosyncrasies of competitive procurement are least understood by small purchase personnel and their supervisors. All procurements in this category must be synopsised in the Commerce Business Daily (CBD).

D. METHODS

Small purchase by its nature is involved in repetitive purchases of low dollar value items. In consonance with efforts to alleviate much of the clerical duties associated

with Government procurement, a limited number of purchasing vehicles is authorized for use in the small purchase arena. The general purchasing documents that are authorized in small purchase are the blanket purchase agreement, the purchase order, the imprest fund, delivery orders, and several other documents of less significance. Each of these vehicles is examined in brief below:

1. Blanket Purchase Agreement

The blanket purchase agreement is an administrative device designed to reduce the time and effort required to make repetitive purchases from the same source for similar categories of material. It is an agreement between the vendor and the Government that allows representatives of the Government to place oral or written orders against a pre-existing purchase agreement without a formal purchase order. It is generally executed orally, and the person placing the call need only contact the vendor, obtain a price quote, and place the order. Accountability and administrative control are ensured through the use of "call numbers" that the buyer gives to the vendor. Invoices are normally only prepared monthly and substantiated by a summary of the call numbers and their associated prices. The Government retains a modicum of control by including a clause in blanket purchase agreements that states that the Government will not be liable for calls (purchases) placed by persons not specifically authorized by the Government [Ref. 16]. An additional benefit to the Government, common to users of BPAs, is that through judicious delegation of the authority to use blanket purchase agreements to the personnel generating the requirement, the buyer can be relieved of these relatively simple purchases and can better allocate their time to those purchases requiring more expertise [Ref. 17].

2. Purchase Orders

Purchase orders are the basic tool of small purchase personnel and are used for nearly all purchases that are not within the purview of blanket purchase agreements. They are essentially an offer to a vendor, based upon a determination that the price listed on the purchase order is the most advantageous to the Government, for the vendor to provide supplies and services to the Government in accordance with the terms and conditions of the order. Although a purchase order is not technically a contract because it is an offer on the part of the Government without corresponding acceptance by the supplier, it is considered essentially a contract as the buyer and seller have usually agreed to the terms and conditions before it is prepared. It is not, however, a legal contract until the contractor provides the requested goods or services, or until he begins substantial performance of the required work [Ref. 18]. With the exception regarding the timing of the document's legality as a contract, these documents are analogous to contracting in the private sector. A significant subset of purchase orders are those that do not have an agreed upon price at the time of issuance by the Government. These are referred to as unpriced purchase orders and are utilized to commence necessary work on a project that has an undetermined scope. There are fairly stringent rules governing their use and application [Ref. 19].

3. Imprest Fund

The imprest fund is another category of small purchase that is designed to overcome the expense of placing orders for very small dollar value items. It is essentially a method by which users determine a source of supply at a fair and reasonable price, and then obtain a cash advance to

purchase the material directly from the vendor [Ref. 20]. The impetus for the imprest fund is that most purchase organizations, including the Government, have found that the cost to process a small dollar value purchase action through the purchasing branch often far exceeds the value of the item being purchased. In an effort to overcome this obvious inefficiency, price controls are somewhat relaxed with the expectation that the cost savings far exceed any potential abuses.

4. Delivery Orders

The final major category of small purchase techniques is the delivery order. Delivery Orders are not actually a method of small purchase, however, they are utilized frequently by small purchase personnel. These types of purchases may reduce the time required to execute an order, and consequently the cost of small purchase by allowing buyers to place delivery orders against existing contracts. Another primary advantage of delivery orders is that they allow several purchasing offices to utilize the same contract, and thus take advantage of quantity discounts that they might not be able to qualify for individually. These orders are placed against contracts commonly referred to as indefinite-delivery contracts. There are three types of indefinite-delivery contracts; definite-quantity contracts, requirements contracts, and indefinite-quantity contracts [Ref. 21]. The appropriate choice of these contracts is governed by the amount of information known regarding times of delivery, and quantities required at the time the contract is awarded. These contracts offer several advantages to the Government, including minimizing the level of Government stocks for materials where there is a known need, permitting direct delivery to users, and allowing a large measure of flexibility on the part of the Government as

regards delivery scheduling and ordering of supplies and services after requirements materialize. They also permit faster ordering of needed supplies and services while minimizing the Governments obligation to the minimum quantity specified in the contract.

E. PERSONNEL

Within the Federal Government, small purchase duties are assigned to civilian personnel in the GS-1105 and GS-1106 series. These personnel are the primary personnel performing small purchase actions within the DOD, with military enlisted personnel comprising the other segment. On occasion, contracting personnel in the GS-1102 series are assigned these duties, however an assignment of this sort would be an anomaly, as their expertise is generally utilized only on acquisitions in excess of $25,000. Within the GS-1105 series are several classifications that divide the series into differing levels of knowledge, skill, and supervisory responsibilities. The focus of this paper is toward GS-1105 and GS-1106 personnel that have been on the job for several years and that have completed the basic small purchase course in one form or another. These personnel are the " bread and butter " of a small purchase organization, as they are the personnel that are tasked with the vast majority of purchasing actions in the small purchase spectrum. It is assumed throughout this paper that these personnel are familiar with the basics of small purchase and only require specialized training in specific areas where there is a general lack of knowledge or understanding.

GS-1105 series personnel are termed small purchase specialists and are responsible for the vast majority of procurements within the scope of small purchase. GS-1106

personnel on the other hand are procurement assistants or procurement clerks, and are not generally directly tasked with making procurement actions. The distinction between GS-1105 and GS-1106 personnel is less definite in the field however, and it is not uncommon for GS-1106 personnel to be performing small purchase functions. The crux of a typical Position Description (PD) for GS 1105 series personnel is cited below:

> The duties and responsibilities of GS-1105 personnel involve methods of acquiring goods and services through an acquisition process or method known as simplified purchasing procedures. These methods include, but are not limited to, the use of mandatory sources of supply, blanket purchase agreements, imprest funds, oral quotes, and purchase orders with open market sources. Except for those unique, obsolete, or specially fabricated or manufactured items requiring in-depth negotiations that may result from Requests for Quotation, goods and services purchased are readily identified, described by brand name, generally commercially available, nationally or regionally advertised, and available from numerous sources. Supervisory control may range from close supervision of the entry level trainee, to only a general review of actions taken for legal conformity by journeymen. [Ref. 22]

F. SUMMARY

As evidenced by the brief introduction and examination of small purchase discussed above, it is a complex set of rules and regulations that govern a very sizeable percentage of purchasing by the Federal Government. It is an area that requires increased attention in the Procurement community and will be receiving ever increasing scrutiny by the Congress and the public. Although the duties of small purchase personnel are often considered clerical in nature, they are in fact quite complex and demanding. The duties and responsibilities of small purchase personnel have increased dramatically in the past several years, yet the Federal procurement system has failed in large measure to reflect

this increase in scope through a concerted effort to provide necessary training.

III. PROFESSIONAL DEVELOPMENT

A. INTRODUCTION

In the process of gathering data concerning existing and proposed small purchase training, it became increasingly clear to the researchers that any training program may be dramatically impacted by many professional and organizational characteristics. Interviews with buyers and supervisory personnel at field activities consistently produced comments concerning weaknesses in professional and organizational development. It was consistently perceived that these weaknesses related directly to training in a number of important ways. Further, even across varied activities, a surprisingly consistent pattern of concerns emerged.

Accepting this interrelationship for the moment, the following two chapters will identify those professional and organizational concerns expressed in interviews, examine their impact upon training, and attempt to suggest actions that may lessen the adverse effects. The list is not by any means all inclusive, and is intended only to suggest areas for activity self-examination. Additionally, current legislative and regulatory efforts in these areas will be highlighted in order to introduce the reader to current initiatives at the Federal level.

B. CURRENT DIRECTIVES

In an atmosphere of increased Congressional and public concern about the integrity of Federal procurement systems, it is not surprising that the quality of procurement personnel should come under scrutiny. The results of this scrutiny have been numerous studies and inquiries resulting

in legislation, regulation, and establishment of formal bodies within the Federal agencies to implement reform.

The most comprehensive regulatory attempts to promote professional development of Federal procurement personnel are contained in "The Office of Federal Procurement Policy Act" [Ref. 23], Executive Order 12352, "Federal Procurement Reforms" [Ref. 24], and "The Office of Federal Procurement Policy Act Amendments of 1983." [Ref. 25] "The Office of Federal Procurement Policy Act" established the Office of Federal Procurement Policy (OFPP). Additionally, the Act directs the heads of each of the Executive agencies to develop and maintain a procurement career management program within their respective agencies to ensure an adequate professional work force. In order to implement the provisions of "The Federal Procurement Policy Act, Executive Order 12352, delineates objectives to be achieved by the agencies. Career management programs are to cover the full range of personnel management functions. Programs are to result in a highly qualified, well managed, professional work force. Finally, "The Office of Federal Procurement Policy Act Amendments of 1983" is even more specific in its direction to officials in the Executive agencies. It requires the establishment of a formal Procurement Career Management System to be jointly admin- istered by the agencies, and further directs the development of formal Procurement Career Programs to form the substance of that system.

C. THE TASK GROUP AND ITS CONCLUSIONS

As a direct result of Executive Order 12352, various inter-agency task groups were impaneled to address a full range of procurement problems. Under the direction of OFPP, Task Group 6 undertook a comprehensive examination of each

facet of the existing procurement work force. In particular, the following areas were examined for each of the recognized professional series related to procurement [Ref. 26] :

1. The status of the series at individual Executive agencies.

2. Mutual and unique problems in performance, training and career progression.

3. Identified areas in need of improvement.

4. Suggested improvement techniques and programs.

5. The best methods to develop and manage effective career management programs in order to satisfy the guidance.

The results of the initial work by the Task Force, presented in early 1984, indicated some serious weaknesses in existing programs for small purchase personnel [Ref. 27]. In fact, the group concluded that no effective career development or training program exists for most 1105/1106 series personnel within the agencies. Occupational standards for the 1105 series had last been rewritten in 1969, with no substantive revisions in the ensuing 15 years. As written, these standards failed to recognize the current duties and responsibilities of the 1105 series, and failed to reflect the current complexities of small purchase procurement due to regulation and law [Ref. 28]. Further, the existing standards did not account for the tremendous increase in the volume and variety of tasks assigned to the 1105 buyer due to the rise in threshold values from $2,500 to $25,000 for all agencies during the period of neglect [Ref. 29], nor did they reflect the level of sophistication of some items now within the threshold amounts.

Particularly troublesome to the Task Force were the terms and definitions associated with the 1105 series in the existing standards [Ref. 30]. Small purchase, as a discipline, was distinguished primarily by its reliance upon

simplified purchasing procedures. This distinction appeared directly responsible for the widely held belief that the small purchase function was relatively simple and primarily clerical in nature. This belief, in turn, had fostered the formation of an aura of second-class citizenship around the field of small purchase, without admitting that simplified purchasing procedures could cover many complex transactions. Finally, it was clear to the Task Force that the outdated 1105 standards were in direct conflict with the recently reformed occupational standards for the 1102 series [Ref. 31]. The 1102 standards had reserved formal contracting in all its forms to the 1102 community, while the 1105 standards assigned the same functions to 1105s in certain instances. In fact, as will be discussed later in this report, this inconsistency has caused considerable confusion in personnel and task assignment which is still being experienced today.

Task Force 6 found similar problems with the occupational standards relating to the 1106 series. Although some revisions had been accomplished, there was still considerable overlap of prescribed functions with those of the new 1102 standards, especially for procurement assistants at the GS-6 level and above. Additionally, it was noted that no training programs of note had been developed and dedicated to the particular needs of the 1106 series [Ref. 32].

D. THE VIEW FROM THE FIELD

Interview responses from supervisory personnel and small purchase buyers at various field activities tend to support the conclusions reached by Task Force 6. Most 1105 and 1106 position descriptions support the notion of small purchase as a clerical function, at least as perceived by those involved in small purchase. Those interviewed repeatedly

related that position descriptions primarily emphasize productivity in terms of volume at the expense of quality recognition. It appears that in many activities, 1105 and 1106 personnel are often asked to perform in areas not related to their professional standards, much like temporary help.

A second common perception related by small purchase personnel is that of a systemic preference for those contract personnel in the 1102 series. This preference is manifest in the form of greater opportunity for advancement, a less demanding work atmosphere, more organizational support, and better pay. Frequently cited examples include the relatively greater number of higher grades in the contract shops as well as the belief that performance evaluations are generally better. Almost without exception, small purchase personnel see no comparable systemic effort to recognize small purchase as a professional discipline.

The final group of consistent responses relates to the atmosphere in the small purchase shop itself. It is not uncommon for buyers to characterize their work environment as similar to that in an industrial "sweat shop." This seems to derive primarily from the work loads coupled with the complexity and changeability of task assignments. Finally, respondents often mentioned the lack of formal and informal recognition for superior performance, and the lack of needed training administered by the commands.

E. THE PRACTICAL EFFECTS

The practical effects of this professional neglect of the personnel engaged in the small purchase function are likewise readily apparent from the responses of those involved. There exists considerable confusion at all levels about the nature of 1105/1106 responsibility, especially

where tasks appear similar to those assigned to personnel in the 1102 series. Consequently, it is quite common, based upon the researchers' observations, to find small purchase personnel working in areas that should properly be assigned to contracting personnel in the 1102 series, and vice versa.

A second manifestation, clearly recognized by managers at all levels in procurement administration, is the high turnover rate among small purchase personnel. Experience appears to establish the organizational life expectancy of the brightest small purchase performers at about three years. After that, they move into contracting jobs in the 1102 series, or positions in other sectors of Government and civilian endeavor. This would not be particularly disturbing if it represented genuine career progression and resulted in a superior work force overall. However, the researchers' research clearly suggests that such moves are usually motivated by a desire for higher pay and less intense work, rather than any real interest in the field of contracting as a career.

An even more revealing and potentially more damaging "attitude" problem surfaced in the researchers' observations and interviews at many activities. The researchers clearly noticed an air of deep cynicism on the part of many buyers concerning a variety of aspects of job and organization. Interview responses seem to indicate that this is primarily the result of a perceived disparity between a buyer's own desire for professional status and actual organizational treatment, commonly characterized as non-professional. This cynicism, in turn, has engendered an underlying mood of hopelessness manifest in frequent complaints about never-diminishing work loads, minimal opportunities for advancement, and a lack of individual recognition.

Many other practical effects of the general deficiency of professional development were noted in the researchers'

interviews. Two of these, particularly, bear noting here. First, there appears to be a common reluctance on the part of buyer-level 1105s and 1106s to accept supervisory responsibility. Interview responses indicate that this significant step in career development is avoided as a result of the view that such responsibility means little more than additional work. Secondly, the researchers were dismayed to find that, on the whole, the morale in most small purchase shops is dismally low. Each of the previously presented professional deficiencies has contributed, to one degree or another, to this situation. It is further apparent, from the researchers' interviews of those in management positions, that the true extent of this decline in morale is not generally recognized.

Finally, and perhaps most critically from the standpoint of what the researchers hope to accomplish, the researchers observed that many of the factors discussed may have operated to lessen the incentive of the average small purchase buyer to learn and improve job skills. This element of buyer attitude, alone, appears to have had a decidedly negative impact upon existing efforts to conduct training at all activities that were observed. Again, any connection that may exist between general deficiencies in professional development at the activity level and learning attitude appears to have escaped those responsible for training design at all levels of the procurement effort.

F. TASK GROUP RECOMMENDATIONS

Once Task Force 6 had completed its primary task of developing an effective career development program for the 1102 series, it turned its attention to general recommendations concerning the small purchase series. In early March of 1984, the Task Group issued "Task Group 6 Report on Small

Purchase Personnel Career Management," and presented the report to the Executive Committee on Federal Procurement Reform on March 12th [Ref. 33]. While essentially a proposed policy statement, the report did recommend that the executive agencies perform the following tasks [Ref. 34], [Ref. 35] :

1. Develop comprehensive plans for employing, promoting and training small purchase specialists.

2. Establish career development plans for small purchase specialists to include definitized criteria and a certification program.

3. Establish formal "career bridging" mechanisms that enhance 1105 transition to 1102.

4. Develop an interagency program for comprehensive training in small purchase techniques.

5. Revise and rewrite the GS-1105 and GS-1106 classification and qualification standards.

6. Establish an interagency work group to define:

   a. Specific weaknesses.

   b. Necessary skills.

   c. Training and experience goals.

   d. Guidelines for demonstrating proficiency.

Essentially, the Task Force report reflects what the researchers believe may be appropriate goals for any comprehensive and coordinated career development program for small purchase personnel. Research conducted for this report indicates widespread interest in accomplishment of the following specific objectives:

1. Overcome performance quality and productivity problems.

2. Reduce small purchase related fraud, waste, and abuse.

3. Provide for an orderly and predictable transition from 1105/1106 series to the 1102 series.

4. Enhance entry-level hiring practices and standards.

5. Stimulate a sense of professionalism in the small purchase community.

6. Provide timely and usable reference materials to small purchase personnel in the field.

7. Ensure funding for small purchase research and training.

8. Clarify areas of professional responsibility and expertise.

9. Specify standards for both formal and on-the-job training for all small purchase personnel.

10. Conduct an ongoing program of review of small purchase methods and procedures.

11. Define predictable career patterns with visible performance and experience milestones.

12. Promote Government-wide consistency in the field of small purchase.

G. ACTIONS UNDERWAY

As a result of the policy structure established by the Task Force, some constructive actions are already underway in the area of small purchase career development. Representatives of the Task Force have begun a comprehensive survey of the small purchase function. The survey, scheduled to be completed in the fall of 1984, is designed to be broad based, systematic, and to solicit views from all levels of the Federal procurement community. The results of the survey are intended to serve the following purposes [Ref. 36] :

1. To define specific career management goals.
2. To address specific organizational weaknesses.
3. To identify specific areas of performance weakness.
4. To identify specific training requirements.

Concurrently, under the sponsorship and guidance of the Federal Acquisition Institute (FAI), development has begun on a desk guide, workbook, and instructor's manual to be used as a basis for training and as a reference for small purchase personnel [Ref. 37]. This package is scheduled for completion near the end of calendar year 1984, and is being designed for interagency use based upon Government-wide procurement concepts. Individual agencies will be encouraged to supplement the material in order to highlight unique problems and concerns.

Finally, discussions are currently underway with the Office of Personnel Management (OPM) concerning the revision of classification and qualification standards for the 1105 and 1106 series [Ref. 38]. Similar revisions have been completed for the 1102 series, and it is expected that clear delineation of series responsibilities will soon be forthcoming.

H. DISCUSSION AND ANALYSIS

The importance of a competent small purchase work force cannot be overemphasized. Small purchase, as a function, has a tremendous impact on operational readiness. The vast majority of mission-essential supplies and services not available through Government sources are obtained through small purchase. The relative autonomy and low visibility of the small purchase buyer signal high potential for fraud, waste, and abuse. Small purchase shops have, over the past three years, provided in excess of 50% of the entry-level personnel in the 1102 series [Ref. 39]. This percentage will undoubtedly rise as the level and quality of training increase in the small purchase shops. Because of the large number of actions generated in the area of small purchase, the potential for administrative cost savings as a result of

increased buyer proficiency is tremendous. Indeed, performance improvement may be more closely related to actual dollar savings in small purchase than in any other single area of procurement.

The efforts of Task Group 6 have placed the Federal Government well on the road toward achieving a number of important objectives in the struggle to improve small purchase procurement. Chief among these may be:

1. A realization of the importance of the small purchase function and its personnel.

2. A clear definition and segregation of authority and responsibility in the procurement work force.

3. Establishment of real opportunities for career and personal development at all levels of Government procurement in general, and small purchase procurement in particular.

4. A renewed sense of professionalism in the small purchase community.

5. The institution of adequate programs for ongoing training and evaluation of small purchase personnel.

6. Uniformity and consistency in the performance of small purchase procurement throughout the Federal Government.

While it is extremely encouraging to note the progress being made in the area of small purchase career development reform, the researchers must note some substantial concerns that may also need to be addressed. First, research indicates that there are those personnel who will be content to remain in the 1105 and 1106 series, and do not aspire to cross the career "bridge" to the 1102 series. There appears to be a lack of organized encouragement and support at all levels for this career choice. Further, interviews reveal a perceived lack of relevant training and professional treatment for these career small purchase personnel.

The researchers' final concern is that each of the emerging enhancements to career development in small purchase be translated into reality at the operational level. Work loads often will not, without adjustment, permit the required levels of training. Evaluation criteria for small purchase personnel, as mentioned earlier, are not always consistent with the established career development parameters. Additionally, manning levels are generally not adequate to permit concentration on appropriate responsibilities.

I. SUMMARY

Relatively recent Congressional and Executive initiatives, then, have begun to explore possible weaknesses in professional development programs for small purchase personnel. Surveys now underway are intended to produce data that may be utilized to establish formal career patterns and training programs. General goals and policy objectives have been specified, and some preliminary actions have been undertaken.

The researchers' interviews reveal a current concern on the part of small purchase professionals regarding the quality of professional development. A number of specific areas have been addressed in this chapter. Responses indicate a perceived connection between weaknesses in professional development and the effectiveness of any proposed small purchase training program.

To this end, it must be noted that weaknesses in professional development may be only one of two classes of impediments to the implementation of effective training for small purchase personnel. The second class appears to consist of perceived deficiencies in the organizational structures and practices of individual commands. The next chapter will

examine these perceived organizational deficiencies in detail.

IV. ORGANIZATIONAL STRUCTURE AND PRACTICES

A. INTRODUCTION

Just as weaknesses in small purchase career development may be negatively influencing attitudes toward training and professional improvement, perceived deficiencies in organizational structure at the activity level may be having the same kind of impact. This structure defines the working atmosphere within which any training program would be conducted, and are of great concern to buyers and supervisory personnel alike. It is recognized that each activity struggles with its own unique set of problems and solution constraints. Recent Contract Management Reviews and interview responses indicate, however, that certain clearly defined areas emerge time after time.

Reported performance and training deficiencies in these areas appear to result from the relative position of the small purchase function within the contracting organization, and from the administration of the small purchase unit itself. Issues encountered range from technical competency to more subjective considerations, such as attitude. It is the researchers' opinion that most of these organizational weaknesses may be addressed with little disruption of work flow. Some, however, appear to require a reevaluation of organizational policy at various levels and a redefinition of the small purchase function.

In this Chapter, the researchers will examine each of these areas in turn. The presentation will focus on the potential impact upon small purchase personnel and training. Finally, for each area, the researchers will identify possible solutions.

B. SEPARATION OF PROFESSIONAL SERIES

In the previous Chapter, the blurring of proper distinctions between procurement series was related to outdated classification standards and inaccurate position descriptions [Ref. 40]. The results of this apparent confusion are most clearly seen at the activity level. In the contracting activities that the researchers visited or otherwise interviewed, two manifestations were common. First, as indicated, small purchase personnel in the 1105 and 1106 series were often performing tasks normally the responsibility of 1102 personnel. This was especially true in smaller activities. In addition, where 1105s and 1106s were both present in the same organization, they were usually indistinguishable in task assignment.

In this situation, solutions are merely the extension of current efforts at the Federal level as previously described [Ref. 41], [Ref. 42]. Individual position descriptions must be rewritten in accordance with the recently revised 1102 qualification standards and the pending revisions for 1105s and 1106s. Specific attention must be paid by managers and supervisors to assigning responsibilities in line with these revised position descriptions. Finally, critical evaluation elements must be reviewed to ensure that they relate to appropriate task assignments.

C. REORGANIZATION OF THE BUYING FUNCTION

The buying function in small purchase shops has been divided by various activities in a number of different ways. In the course of research, instances were noted of buyers divided by commodity, by perceived level of difficulty of the action or buy, by geographic location of vendors and suppliers, by major customer, and by combinations of these forms. There are most certainly other methods employed

elsewhere, particularly by organizations with more specialized responsibilities. It is not clear in many instances, however, whether these schemes have been utilized as a result of proven effectiveness, or whether they have been perpetuated from one local administration to another through time. In other instances, this organizational facet is being constantly changed on the basis of changing administration preferences.

Buyers perceive some decidedly negative effects resulting from this inconsistent application. They have expressed a sense of confusion when familiar systems are constantly changed. Organization by level of action difficulty appears, both from interviews and observation, to present a number of potential problems. First, it may effectively deny growth opportunities to less experienced buyers. Also, it may render proper rotation of solicitations and blanket purchase order (BPA) calls much more difficult, as commodities overlap without an effective system of communication or cross-check available in most activities. Some systems appear to make it extremely difficult to rotate buyers to broaden experience. The buyer's ability to become familiar with vendors and products may be hindered by some of the existing forms.

Some basic solutions readily suggest themselves under these circumstances. Each of these solutions, however, must be flexibly viewed in order to account for unique manning and customer service requirements. First, each activity should reexamine its buyer assignment policy, to include the following considerations:

1. Effective utilization of existing expertise.
2. Effective training through assignment rotation.
3. Personnel development through exposure to assignments of varying levels of difficulty.

4. Maximum opportunity for buyer familiarity with sources and products.

Buyers interviewed indicated the highest degree of satisfaction with organization by commodity. Such a classification scheme does appear to realize all relevant considerations. It is likely that increased use of data processing equipment would ease the acute problems of communications between buyers, and render many of the other methods more effective.

D. REFERENCE MATERIALS AND PUBLICATIONS

Contract Management Review (CMR) discrepancy reports repeatedly cite the absence of up-to-date publications and reference material in many small purchase shops, especially in the smaller and more remote activities. Even though the Federal Acquisition Regulations (FAR) and the associated Department of Defense FAR Supplement (DOD FAR SUPP) became effective as of April 1, 1984, many activities contacted do not have sufficient copies of these vital publications to serve buyer needs. At nearly every activity, there appeared to be very little guidance available to buyers on the use of the FAR and DOD FARSUPP. NAVSUP P-467, the primary reference of small purchase for many years, has been superceded by the FAR, and yet buyers commonly report that no guidance has been given from any level concerning its immediate status.

Solutions to these problems range from the simple to the complex. Many activities may avoid recurring CMR discrepancies by simply ensuring that an adequate number of the proper publications and reference materials are available to small purchase personnel. This should definitely include the forthcoming FAI reference materials mentioned in Chapter III [Ref. 43]. Dedicated training in FAR and DOD FAR SUPP

utilization should be required for all small purchase supervisors and personnel (although this subject will not be addressed in this work). Most importantly, NAVSUP should take the lead in development and promulgation of a clear policy regarding proper reference sources for small purchase buyers under FAR.

E. CURRENT LEGISLATION, REGULATION, AND INSTRUCTION

Another significant buyer complaint concerns the difficulty experienced in keeping abreast of emerging legislation, regulation, and instruction pertaining to small purchase. It is reported that copies of this kind of material are often not available to the individual buyers. When material is available, it appears that it is often difficult to understand and seldom interpreted and summarized for the convenience of user personnel. Buyers complain that the relevance of available material to specific buyer tasks is not always made understandable.

The researchers contend that this situation may represent a critical weakness in the structure of organizational support for most small purchase personnel. The researchers suggest that NAVSUP take the lead in developing a program to gather, prepare, and distribute regular summaries of the latest legislation and regulation applicable to small purchase. Supervisors at individual activities should ensure, as a matter of regular review, that each buyer maintains a file of relevant legislation and other pertinent guidance. Also, managers and supervisors should be tasked to conduct local training on a regular basis to encourage familiarity with the practical requirements applicable to buyers.

F. ORGANIZATIONAL GOALS AND PRIORITIES

As in any healthy organization, the goals and objectives of procurement activities are constantly being reevaluated and refined in order to accomplish the stated mission. This has been especially true in recent years as a result of increased public and political attention. Unfortunately, the research indicates that the operative goals and priorities of individual activities are often not clearly articulated and communicated to small purchase personnel. The following kinds of concerns have been the focus of organizational emphasis at nearly every activity at one time or another:

1. Procurement Administrative Lead Time (PALT), or some other measure of transaction processing speed.
2. Competition percentages.
3. Total document numbers processed.
4. Achievement of socio-economic goals.

Many times these shifts are ordained by higher authority in response to pressures at higher levels. Often, however, they appear to represent changing concerns at the activity level. In any case, buyers frequently report that the communication of current areas of emphasis to the buyer level is not generally timely, and is not always reinforced through local instruction and training. Further, they complain that goals and priorities are not always reflected in the evaluation systems applied to the individual buyers.

Clear and immediate communication of changing goals and priorities should be a key element of policy at every procurement activity. Each should develop a written policy statement concerning the particular goals and objectives of the small purchase function, and see that this statement is clearly and regularly communicated to all personnel. Performance evaluations of small purchase personnel should

be clearly and directly related to achievement of these goals and objectives. Every attempt should be made to achieve stability in this goal structure. It would seem desireable, though not always practical, to limit changes to those accompanying mission revisions only. At least, each activity should attempt to avoid those alterations driven by transitory needs or temporary concerns.

G. PERFORMANCE APPRAISAL SYSTEMS

The perceived inadequacy of current performance appraisal systems for small purchase personnel is a deficiency apparently recognized by authorities at all levels. Current systems do not, those interviewed contend, clearly reflect the performance or abilities of buyers or supervisors. In fact, a review of current literature indicates that attention has been directed primarily toward methods of efficiency measurement rather than consideration of relating those measurements to formal evaluation criteria.

Each buyer interviewed indicated a belief that evaluation was heavily based upon the volume of actions processed. Each felt that such systems did not adequately reflect variations in task nature and complexity. The result, buyers seem to feel, is an incomplete picture of the quality and expertise of personnel (both in a positive and negative sense). Inadequacy of performance appraisal appears to be a major contributor to the "sweatshop" perception mentioned earlier.

It is the researchers' opinion that expert management assistance at the highest levels is required to solve this problem. Specifically, the researchers believe that a "two-pronged" evaluation standard must be developed to apply to all small purchase personnel. The first element in such a standard would consist of a rating of the overall task

complexity or difficulty assigned to the individual buyer. The second element would be an evaluative rating of the actual performance of the buyer. Volume considerations could still be factored in, but should be weighted to reflect the types of tasks being performed. The researchers suggest that NAVSUP attempt to take a leading role in the development of a basic performance appraisal system for field level activities. Such a system should be flexible, within specific parameters, to meet the unique needs of those activities.

H. RECOGNITION

The human need for recognition and positive reinforcement is a fundamental concept in the behavioral sciences. According to many small purchase personnel to whom the researchers spoke, however, this concept is not always incorporated into practice. Routine recognition of superior performance is often irregular or non-existent. In fact, many buyers and supervisors consider this a particularly sore point. Often, existing recognition attempts are perceived to be insincere or politically motivated.

In this area, suggestions from the buyers themselves ranged from cash awards and promotions to media recognition. The researchers contend that specific forms of recognition are not the critical issue. Realizing that there are clear limits on the options available in this area, the researchers suggest that each activity develop a formal recognition program and use it. Recognition criteria should be clearly communicated to all small purchase personnel. Additionally, the researchers suggest that NAVSUP sponsor a regular program of field recognition in the area of small purchase.

I. CLERICAL SUPPORT

Even with the blessings of simplified purchasing procedures, small purchase buyers generate a tremendous volume of paper work. Given the time sensitive nature of most actions, it would seem imperative that small purchase buyers receive adequate clerical support. Buyers and supervisors report that this is not the case in many activities, especially those with large procurement organizations.

Most organizational plans that the researchers observed provide a single typing pool for the contracting and small purchase functions. In general, these pools appear to contain an insufficient number of typists to meet all needs. Where work order is determined by the typists themselves, it is perceived by buyers that contracting paper work often takes precedence over that of small purchase. Buyers believe that this is because contracting jobs are more interesting, involve more money, receive more management attention, and are less tedious.

The problem of clerical support would not merit mention except that it appears to impact so dramatically upon observed buyer performance. Delays in purchase action can, in many cases, be traced directly to delays in the clerical function. These delays have run as long as 10 days, with clerical backlogs of as many as 800 documents reported [Ref. 44]. Such clerical limitations directly increase PALT and negatively influence other performance measures. Buyers suggest that they are not easily convinced of the desireability of additional training when they are not getting this simple form of organizational support for the work that they are currently doing.

Where possible, activities should establish separate typing pools for small purchase. Such an organizational distinction may encourage closer contact between typists and

buyers, and aid in the early resolution of problems. Small purchase supervisors would also find it easier to review work and screen priorities in the pool. Clerical personnel also benefit by increased opportunity to become familiar with the unique needs of small purchase. Alternatives would be to dedicate specific personnel in common pools to small purchase, or to establish some form of work scheduling system that does not discriminate against any functional area of procurement.

J. SUPERVISORY SUPPORT

The volume and variety of small purchase tasks, together with the the range of personnel capabilities, appear to make effective supervision essential to the mission of small purchase. It should be noted that the researchers did, in the course of observations and interviews, encounter a number of competent supervisors. The research reveals, however, a number of essential management functions that many small purchase supervisors do not seem to perform, or perform only to a limited degree.

Although the ultimate responsibility for the disposition of individual actions rests with the buyer, interviews indicate that there are a number of screening actions that should be performed by the supervisor to ensure the most effective utilization of time and talent. Incoming purchase requests should be screened for assignment to the appropriate buyer. Priorities should be screened to assist buyers in ordering their work and to prevent abuse of the priority system. Where buyers need assistance, purchase descriptions should be screened to determine adequacy. Where activities provide walk-through small purchase service, walk-throughs must be screened to prevent pressure on buyers engaged in more urgent work. Screening, as a

generic activity, appears to be essential to supervisors as a means of keeping track of the flow of effort in the shop.

Supervisors, in any organization, provide the essential link between upper levels of management and those actually performing the task. The researchers observe that it is no less true in the small purchase environment. Buyers desire that supervisors take an active role in recognizing the achievements of individual buyers, and soliciting organizational recognition. They should take the lead in supporting the efforts of small purchase personnel, both within and without the activity. A competent supervisor should be easily accessible in order to provide technical or other assistance. Supervisors should be able to identify individual areas of need, and should be a vital part of small purchase training.

At least two other organizational weaknesses that the researchers have observed appear to relate to the quality of supervision. First, buyers relate that supervisors often fail to ensure that personnel have relevant publications, regulations, and instructions. Further, it is reported that buyers often are not trained in their meaning and application. Second, the researchers observe that more substantial attempts to minimize the recurring aspects of tasks and redundant requirements for information could begin at the supervisory level. These attempts may consist of designs for local forms that assist buyers in the performance of routine jobs.

There are no easy answers to the question of supervisor competence. The researchers suggest only that an expanded view of the nature of supervisory responsibility, including elements herein noted, be adopted at all levels. Selection and evaluation of supervisory personnel should then be grounded in this expanded view. Training, both in general management skills and in all aspects of small purchase, may

also be valuable. Attention to the specific subject areas in the next Chapter would familiarize supervisors with training deficiencies currently found in the field. To complete the circle, formal channels for buyer feedback to supervisors should be established and their use encouraged. Such mechanisms should permit evaluation of supervisory effectiveness in a constructive, non-personal manner.

K. COMMUNICATIONS

Effective communication may be the lifeblood of the small purchase organization. A free flow of information, both inside and outside the activity, appears necessary in order to accurately determine and satisfy customer needs. This informational flow may also be critical to the process of self-evaluation and performance improvement. Many small purchase organizations, however, appear to be seriously hampered by weak internal and external communications systems and practices.

Internally, feedback from supervisory personnel to individual buyers is often reported to be irregular and non-constructive in nature. In several instances that the researchers observed, the relationship seemed almost adversative in nature. In many others, communication often took the form of criticism of varying strengths. Buyers complain that CMR discrepancies and other review findings are not translated into specific goals and areas of concern that buyers can understand. Memoranda and instructions are often promulgated in language that is difficult to understand by those expected to be bound by their content. There is often little sharing of good ideas and innovative techniques within small purchase shops.

Externally, the researchers observe that buyers generally have little, if any, personal contact with those people

above and below them in the small purchase pipeline. They often do not know vendors and their products first hand, nor have they ever met face to face with representatives of key customers. The researchers observed at least one example of total dependence upon an unreliable medium of communication by a large small purchase operation [Ref. 45]. In this instance, the small purchase function virtually came to a standstill for a substantial period as a result of disabled telex facilities.

Buyers appear to feel that a crucial aspect of communications, from the standpoint of small purchase training, is supervisory awareness of individual buyer capabilities and weaknesses. This may determine the supervisor's assessment of the level of instructional comprehension and need, and consequently influences the design and presentation of training material. Supervisors may also take the lead in encouraging the submission of useful ideas and innovations, and assist in making these available throughout the organization.

Several solutions appropriate to these situations have been suggested previously in relation to other problems. These include the development and encouraged use of formal feedback mechanisms. These mechanisms should permit regular and constructive interaction of buyers and supervisors, and should be monitored by the activity for effectiveness. Activities should develop specific and easily understood action plans, including individual buyer goals, as a result of any review or inspection of the small purchase function. Such reviews are supposed to stimulate improvement on the part of the organization, and this can only be accomplished if buyers understand the results and expected individual improvements.

Some very creative and effective efforts have been made by various activities to break down the barriers isolating

buyers from both customers and vendors. Two of the most universally useful, the researchers feel, are "vendor days" and meetings between buyers and principal customers [Ref. 46]. In the former, available vendors are scheduled to make personal visits to the activity, bringing samples of their primary products. Buyers get a chance to see the faces and handle the products that they deal with on a day-to-day basis, apparently resulting in increased confidence and buyer satisfaction. Activity sponsored meetings between buyers and thier principal contacts at major customer activities seems to go a long way toward eliminating future confusion, misunderstanding, and ill feeling. Both of these practices, in addition, appear to foster the "team" attitude so necessary in any service organization.

I. SERVICE ATTITUDE

Small purchase buyers who have an understanding of the vital service that they perform, and who desire to provide that service under all circumstances, report that they will not hesitate to seek out and absorb additional training. Based upon a sense of the prevailing attitudes in the activities that the researchers observed, much needs to be done to encourage and maintain an overall "service-oriented" attitude in small purchase shops. Evils that may be encountered include, but are not limited to, total buyer dedication to the problems of vendors, treatment of customers as annoyances, and consideration of action requests as anything other than opportunities to serve.

This is another problem area that is not easily grasped, let alone eliminated. Lack of service attitude, however, appears to be the single greatest impediment to training, and so must be dealt with. Managers and supervisors must be extremely sensitive to manifestations of buyer attitude.

Activities should regularly solicit formal and informal feedback from all customers regarding impressions of buyers. As an additional tool, the researchers strongly suggest that each activity publish and support a policy statement on service. An example of such a statement already in use by several activities is included as Appendix A. Regular performance evaluations should, likewise, reflect the buyer's performance in this regard.

E. TRAINING

In order to propose a base line curriculum for small purchase training, it was necessary to examine and evaluate the content and effectiveness of current efforts in the area. Without exception, those to whom the researchers spoke at every organizational level agreed that the topic of small purchase training desperately needed critical reevaluation. Just as Task Force 6 had suggested, the common perception is that current training in small purchase is woefully inadequate. The following common causes of this inadequacy are cited by buyers and supervisors:

1. Insufficient time is allocated to training because of operational work loads.

2. Formal instruction for small purchase is generally combined with that for contracting personnel.

3. Training is seldom directed to the particular problems of an activity.

4. Training seldom addresses emerging specialty issues, such as Automated Data Processing (ADP) buying under expanded thresholds.

5. Training materials are usually unsuitable reference materials.

6. No specific training exists for small purchase supervisors.

7. Training materials are often outdated, and are difficult to comprehend and use.

8. No attempt is made to relate small purchase to the overall government procurement effort. Buyers do not know why they must do the things they are trained to do.

At this time, most small purchase training in the DOD is based upon a segment of the entry-level procurement course developed and taught by the Army at Ft. Lee, Virginia [Ref. 47]. As taught, small purchase peculiar material constitutes a four-hour segment of the course. Most locally developed training programs are derivatives of the four-day correspondence version also developed at Ft. Lee. As nearly as the researchers could determine, nearly 20% of the personnel currently working in Navy small purchase shops have not had this training [Ref. 48]. At this time, there is no program for supplementation of this basic package [Ref. 49]. Follow-on training, where it occurs, consists of reapplying this same entry-level material. Prevailing opinion indicates that this material is not in a format useable on a day-to-day basis by buyers in the field. This is further corroborated by the profusion of local derivatives, each attempting to render the training more timely and relevant. Even where attempted, the researchers found that training was irregular and incomplete.

Potential solutions to this urgent problem are the major thrust of this work. It is the researchers' opinion that significant progress may be made by better utilization of existing sources of training coupled with the immediate development of a follow on or refresher course designed specifically to address existing problems. First, it is essential that activities ensure that all small purchase personnel attend some approved form of the basic course. A formal refresher program should be administered by each activity on a regular basis. Such a program should, at a minimum, consist of the following:

1. A specific list of topics relevant to the efforts of the individual activity, developed jointly by buyers and managers.

2. Modularized training material specifically designed for small purchase refresher training.

3. Supplemental material designed by the administering activity.

4. Specialized training for small purchase supervisory personnel, emphasizing their unique responsibilities.

5. Dedicated training time according to a previously publicized schedule.

6. A formal feedback program to assess training effectiveness

7. Formal recognition and documentation of completed training.

N. SUMMARY

The apparent organizational weaknesses just discussed represent real and present concerns of small purchase personnel. These concerns were revealed not in response to questions regarding organizational structure, but rather in response to requests to identify factors that influence small purchase training. Because of this perceived link, these concerns have been examined here in the barest terms. The researchers feel that serious consideration must be given to these specific areas, as well as those that sincere self-examination may provide. Such consideration is deemed a prerequisite to successful training of any kind. This consideration must be given, as indicated, both at the system command and activity levels.

In the process of addressing the apparent deficiencies in both professional development and organizational structure, many existing performance discrepancies should likewise be

overcome. Other recurring discrepancies, the reseachers contend, largely reflect weaknesses in current training only. The next Chapter will identify and discuss those areas.

V. OVERVIEW OF PROPOSED TRAINING AREAS

A. INTRODUCTION

In the previous chapters, the professional and organizational environments associated with small purchase have been examined in some detail. Attention will now be turned to specific training deficiencies uncovered by research, and the nature and content of suggested training materials. The purpose in this effort is to identify recurring training needs now found in Navy small purchase organizations, and to establish the outline for a baseline training program to meet those needs. In subsequent chapters, the researchers will discuss suggested training format and methodology, as well as the estimated costs of training implementation.

In this chapter, the presentation will focus on a strictly limited number of areas which exhibit, according to research data, the greatest frequency of occurrence. Further, these specific areas were most often identified in buyer interviews as critical to efficient and effective small purchase performance. The researchers will attempt to deal with individual topics in a conceptual way, emphasizing the need for individual activities to tailor or modify the material to meet unique needs. As stated in introductory remarks, the existence of a level of knowledge consistent with basic entry-level training will be assumed. Finally, every attempt will be made to encourage a sense of professionalism in those who conduct and receive small purchase training.

The presentation in this chapter will not attempt to address every procedural discrepancy or training deficiency encountered in the literature or research. No attempt is

made to deal with any subject in minute detail. No claim is made or implied that the perceived deficiencies herein examined are to be found in every activity examined.

B. SOURCES OF INFORMATION

Written findings and recommendations resulting from Contract Management Review (CMR) evaluation visits comprise the primary source of discrepancy information. These consist of:

1. Specific reviews conducted at various levels within the Naval Supply Systems Command (NAVSUP) during 1982 and 1983 [Ref. 50].
2. A NAVSUP Annual Report of Contracting Management Reviews [Ref. 51].
3. A NAVSUP Semiannual CMR Report summarizing review trends [Ref. 52].
4. Locally prepared lists of standard findings and recommendations [Ref. 53].

All information extracted from CMR reports was confirmed in interviews with Field Management personnel at NAVSUP, Naval Material Command (NAVMAT), as well as those at various referenced activities. These personnel are responsible for, among other things, the administration of the CMR program at their respective levels. Additionally, small purchase supervisors and personnel at selected individual activities were questioned. Finally, representatives of the following organizations were contacted:

1. Office of The Secretary of Defense (OSD).
2. Defense Logistics Agency (DLA).
3. General Services Administration (GSA).
4. Federal Acquisition Institute (FAI).
5. Army Logistics Management Center (ALMC).
6. U. S. Air Force (USAF).

Most currently applicable literature pertaining to the field of small purchase was also utilized by the researchers during the course of investigation. Relevant literature ranged from the FAR to local training programs grounded in the Defense Basic Small Purchase Course. Various professional articles and interGovernmental bulletins and memoranda were incorporated as cited.

C. RECURRING CMR DISCREPANCIES

Based upon a comprehensive review of available CMR reports and discrepancy listings, the researchers have found that the following specific discrepancies are most frequently indicated:

1. Inadequate EPA documentation.
2. Improper splitting of requirements.
3. Purchase of public works type services.
4. Open purchase of material available in the supply system or on Federal Supply Schedules (FSS).
5. Unauthorized commitments (purchase order issued after the work has been performed).
6. Absence of purchase request from purchase files.
7. Lack of subsequent certification of fair and reasonable prices on unpriced purchase orders.
8. Awards to non-responsive bidders.
9. Improper preparation of DD Form 350.
10. Inadequate justification of fair and reasonable price.
11. Inadequate justification of sole source procurements.
12. Inadequate documentation of written bids and oral solicitations.
13. Inadequate justification of awards to other than small business where required.

14. Failure to regularly review BPAs and cancel where warranted.

15. Non-current clauses and provisions in BPAs and Purchase Orders.

16. Inadequate specifications or purchase descriptions.

17. Purchase of proscribed items.

18. Back-dating of delivery orders.

19. Purchase of construction materials and services.

20. Excessive delays in document preparation.

21. Improper modification of small purchase purchase orders.

22. Failure to execute BPAs where justified by repetitive orders.

23. Improper documentation of imprest fund transactions.

24. Failure to consolidate orders where more economical.

25. Citation of incorrect paying office on various forms.

26. Inadequate documentation of information contained on DD Form 1155.

27. Citation of inaccurate or improper accounting data.

28. Improper procurement of personal services.

29. Improper procurement of ADP equipment.

30. Failure to solicit adequate competition.

While the list of individual discrepancies may at first glance seem formidable, discussions with small purchase buyers and supervisors indicate a commonly held belief that these discrepancies result from degraded performance in a smaller number of basic areas. It is in these basic areas that those interviewed have indicated the greatest desire for further training. It does appear to the researchers that follow-on or refresher training directed toward the

following subject areas would eliminate the majority of common CMR discrepancies:

1. Requirements Determination.
2. Purchasing Methods.
3. BPA Use and Administration.
4. Purchase Order Use.
5. Documentation.
6. Determination of Fair and Reasonable Price.
7. Competition.
8. Small Business Set Asides and Other Programs.
9. Accounting Data and Appropriations.
10. Imprest Fund.
11. ADP Procurement
12. Prioritization of Procurements.

The remainder of this chapter will be devoted to an examination of these basic subject areas. The presentations will begin with a discussion of the specific problems noted in each area by small purchase personnel. An analysis of the primary causes and contributing factors noted in the interviews will follow. Each section will conclude with a summary of solutions suggested by the researchers, in consonance with the views of small purchase buyers and supervisors.

D. SPECIFIC AREAS OF TRAINING SHORTFALLS

1. Requirements Determination

a. Problems

While specification of requirements is normally the responsibility of the customer organization, small purchase buyers must actually translate the requirement statement into a call or purchase action. In order to make the translation successful in terms of performance and cost,

the small purchase buyer must be able to accurately evaluate the adequacy of the requirements description. In practice, however, CMR discrepancy reports indicate that buyers often accept requisitions or other purchase requests that are deficient in one or more of the following areas:

(1) Inadequate item description.

(2) Chargeable funds citation.

(3) Certification of availability of funds.

(4) Delivery address and instructions.

(5) Certification of screening against mandatory sources of supply.

(6) Proper priority assignment.

(7) Indication of proper authorization.

In addition to errors in handling these relatively common purchase request deficiencies, interviews indicate that buyers experience difficulty dealing with the following situations as well:

(1) Purchase requests which do not accurately describe the required item(s).

(2) Requests for items which are extravagant or not mission essential.

(3) Item descriptions that are so narrowly drawn as to preclude meaningful competition.

(4) Requests for unauthorized items.

(5) Requests that do not contain adequate justification for sole source procurement.

b. Causes and Contributing Factors

As has been proposed by the researchers in an earlier chapter, effective and efficient communication is the lifeblood of any procurement operation. This appears to be particularly true in the field of small purchase, where there exists a broad spectrum of customer needs, customer expertise, buyer competence, and urgency of need. Research

data and observation indicate, however, that poor communication practices commonly result in the problems described above. More basically, poor communication denies the small purchase buyer familiarity with the basic missions and functions of customer organizations, and with the characteristics of goods and services utilized by the customer. Customer ignorance of small purchase requirements and constraints also results.

A major contributory element, according to buyers, is inadequacy of supervisory and management support. Specifically, supervisors could be more active in establishing and maintaining screening systems at the supervisor level. Additionally, their is a perceived lack of upper-level support for such aggressive buyer actions as:

(1) Returning requisitions or purchase requests for clarification or completion when necessary.

(2) Challenging sole source requests.

(3) Denying procurement of unauthorized or extravagant items.

The remaining major factors have previously been mentioned in relation to weaknesses in a number of areas. First, buyers themselves admit, that continued emphasis on performance rates and other volume measures encourages cursory examination of many purchase requests in the interests of time. Finally, buyers also indicate a frustration with the lack of the organizational resources necessary to independently verify data included on requests.

c. Summary of Solutions

The researchers recommend that refresher training consist of a detailed review of the information required in any adequate purchase request or requisition, coupled with a discussion of the purposes served by that information at each rung of the procurement ladder. Buyers

should be made aware, through example, of the specific problems that result when information is incomplete or inaccurate. Activities should, a number of buyers have suggested, produce detailed samples of suitable request documents most commonly encountered by the buyers at the particular activity. These samples should include guidance concerning sole source justification, accounting data, mandatory source screening, priorities, and evidence of authorization. Buyers, in the course of interviews, have also expressed a desire to possess a comprehensive listing of unauthorized items and items commonly requested which are usually considered beyond mission need. "Don't buy" lists are currently scattered throughout various procurement publications, and appear to be difficult to locate and use. Finally, the researchers recommend the development of a local form to summarize and record actions taken in processing purchase requests.

Several important actions may be taken by supervisors and managers to assist the buyer in requirements determination. First, as has been mentioned, activities may arrange buyer meetings with major vendors and customers. Research indicates that such contact initiates further effective communication between buyer and vendor and buyer and customer. Activities should also, the researchers believe, do more to establish formal screening mechanisms at the supervisor level to assist buyers with item descriptions, priorities, sole source requests, and questionable items.

2. Optimum Purchase Methods

a. Problems

The primary methods of small purchase, as earlier described, are the purchase order, the BPA, and the imprest fund. The researchers have found that, overall,

small purchase buyers are quite familiar with each of these tools through experience and entry-level training. CMR discrepancies continue to indicate, however, that problems still exist in determining the best method to use for a given requirement. Specifically, the following problems are reported:

(1) Small purchase buyers choose purchasing methods which are not the most economical for particular transactions.

(2) Activities tend to underutilize both BPAs and imprest funds.

(3) Small Purchase buyers are not always cognizant of the variety of methods, forms, and thresholds applicable to small purchase.

b. Causes and Contributing Factors

Most of the problems listed above appear, from the research, to result from the selection of purchase methods based upon habit rather than a reasoned consideration of the advantages of one method over another under the particular circumstances. This approach is fostered, the researchers believe, by a failure to understand the basic objectives to be achieved in chosing a particular method, and by a failure to be thoroughly familiar with the conditions appropriate to particular purchasing methods. Finally, supervisors appear to be somewhat lax in screening and reviewing the purchase method selections of buyers and providing constructive feedback and guidance. No periodic training dealing with proper method selection was noted in the researchers' interviews and observations.

c. Summary of Solutions

Suggested training begins with a review of the basic considerations in chosing a purchasing method. Such a

review should include discussion of the relative economies of time and effort, the protection offered both the Government and the vendor, the peculiar documentation, and provisions promoting or denying future flexibility. Activities may develop, perhaps in matrix form, a decision table to describe the conditions appropriate to each available method of purchase. Further, the researchers contend, activities should attempt to establish ratios of methods appropriate to the experience of the activity, and monitor performance against these ratios. Finally, buyers have indicated a need for regular exposure to current references and examples of current documentation.

3. Blanket Purchase Agreements

a. Problems

The operative definition of a blanket purchase agreement has been cited elsewhere in this work. What may not be readily apparent is the tremendous importance of this procurement tool to the field of small purchase. Properly executed and administered, BPAs represent substantial savings in time and dollars for routine procurement [Ref. 54]. Because of this potential, and because BPAs are encouraged and commonly used, CMR personnel specifically examine activity performance in this area during the course of the review. The most frequently cited discrepancies relating to BPAs provide the basis for refresher training in this area.

According to available literature and interviews with small purchase supervisors and buyers, the following basic problems are associated with the administration of BPAs:

(1) BPAs are not established when warranted. This is primarily a failure to recognize that repetitive or

frequent purchase orders issued to the same vendor represent requirements that may more economically be satisfied with a BPA.

(2) BPAs are not reviewed on a regular basis. Periodic reviews should be conducted to evaluate the adequacy of terms, the currency and completeness of required clauses, and the continuing necessity for the BPA.

(3) BPAs are not disestablished in a timely manner. Buyers must screen active BPAs to determine if current orders indicate a continued need, and if monetary or duration limitations have been exceeded.

(4) Calls placed under BPAs are not adequately documented and reviewed. BPAs are subject to many of the same regulatory requirements applicable to all other methods of procurement, and must be documented in order to establish conformance with those requirements. Further, documentation is essential in the event that litigation results from performance under a BPA.

(5) An insufficient number of BPAs are created to ensure adequate competition. The current policy mandating maximum competition extends to calls placed under BPAs. Meaningful competition, and full involvement of the available business base, cannot be accomplished if BPAs are issued to an unrealistically small number of vendors.

(6) BPA calls are not rotated in a manner that promotes equal vendor opportunity. Once an adequate number of BPAs are established, policy dictates that all listed vendors be given an equal opportunity to compete for and benefit from Government procurement dollars.

(7) Individual BPA calls are not properly screened to determine if requirements are available from stock or other Federal Government sources. Mandatory sources of supply apply to calls placed under BPAs.

(8) Original BPAs do not include all required clauses, or those clauses are incomplete. Many essential legal and policy requirements are expressed in these clauses, and they serve to protect both the vendor and the Government. Under the FAR, many aspects of these clauses are changed.

(9) Buyers fail to synopsize BPAs or individual calls when required. The existence of a BPA does not eliminate the requirement to synopsize. The applicable regulation is included in the FAR [Ref. 55].

b. Causes and Contributing Factors

The research indicates several apparent causes for these deficiencies. First, small purchase personnel appear to be inadequately trained regarding the full range of administrative responsibilities associated with BPAs. Failure to treat the BPA as a dynamic instrument results in a failure to review and document actions associated with the BPA once it is established. This narrow focus further manifests itself in a common failure to understand the interrelationship between the BPA and important policy considerations, such as competition. Compounding this situation is a related failure by most buyers to become familiar with changing legal, administrative, and policy requirements as they relate to BPAs.

The research further indicates, however, that the buyers are not solely responsible for BPA discrepancies. Individual activities must, it appears from research, assume the responsibility for a common failure to establish formal BPA review procedures and review schedules. The researchers' observations indicate that few activities rigorously encourage BPA review to determine adequacy, currency, and necessity. Likewise, few activities have given guidance to buyers regarding acceptable methods of BPA call rotation.

Finally, it appears that the atmosphere and work load in most small purchase shops contribute directly to the frequent inattention given BPA administration. Interviews indicate that many buyers do not appear to give BPA-related matters the attention that they deserve. In the press to meet efficiency requirements, call requirements are not always adequately screened, records are not reviewed for repetitive buys, and inactive BPAs are not scrutinized.

c. Summary of Solutions

The researchers believe that any attempt to conduct training in the area of BPAs should begin with an effort to define the role of the BPA in the procurement process. It should be clearly related that the purpose of the BPA is to realize the economies of time and effort associated with consolidation of repetitive orders to one vendor. The BPA may, nevertheless, result in binding contracts, and must receive the full professional attention of the small purchase buyer. To this end, training should include a detailed review of the requirements for establishment, review, maintenance, and disestablishment of BPAs.

Proper documentation is a crucial element of the success of any procurement action. This is especially true for BPAs, despite their seemingly routine nature. The specific documentation requirements for BPAs are contained in the FAR, and should be presented along with discussion of the purposes served by each requirement. This presentation may be done either in conjunction with BPA training or, as the researchers suggest, as part of a training module dedicated to the elements of proper documentation for any procurement action.

As mentioned, the areas of rotation and maintenance of sufficient numbers of BPAs are consistent sources of CMR discrepancies. A comprehensive training course, the

researchers believe, should contain specific activity guidance concerning methods of call rotation and the proper number of BPAs to establish in any commodity area. Additionally, training should contain a review of FAR-based clauses required in BPAs, to include a list of all such clauses and conditions for their use.

Small purchase buyers, finally, indicated a desire to possess a current list of all references pertaining to BPAs. This list should contain FAR references, as well as operative local policy statements. Additionally, valuable guidance may be found, the researchers believe, in the Defense Acquisition Regulation (DAR) and Naval Supply Systems Command Publication 467 (NAVSUP P-467), even though these have been superceded as regulation by the FAR.

4. Purchase Orders

a. Problems

Purchase orders are the basic tool of small purchase personnel, and as such their use often results in a fair number of significant discrepancies. The use of delivery orders coupled with purchase orders comprises a significant portion of the purchases made by small purchase personnel. These purchase actions are generally executed via a DD Form 1155, however they may be transmitted by written telecommunications, or executed on agency approved forms such as the Standard Form 44. Purchase orders are a unilateral offer to a supplier, and therefore are not binding contracts until the vendor accepts the order. This may be accomplished by shipping the supplies, performing a significant portion of the order, or by written acceptance of the order. In general, terms and conditions that are included in purchase orders are negotiated by the Government

and the vendor before the purchase order is prepared, and written acceptance is therefore not normally requested by the Government [Ref. 56].

Purchase orders are the most technically difficult small purchase documents to prepare, as each time one is issued and accepted it becomes a legally binding contract. The use of purchase orders is not conceptually different from contracting in the private sector or from contracting in the Government above the small purchase threshold. As these purchases sometimes take a relatively long time to be completed, there is increased opportunity for modifications or terminations as a result of changing requirements or capabilities. Each time a purchase order is modified or terminated, it becomes a new contract with all of the attendant legal considerations. As purchase orders are the most complex of the various purchasing vehicles available to small purchase personnel, it is not surprising that their use results in a large portion of small purchase discrepancies. The following discrepancies are most commonly cited by CMRs.

(1) Improper preparation of purchase order documents.

(2) Inadequate documentation of bids, oral solicitations, sole source justifications, and fair and reasonable prices.

(3) Use of purchase orders to perform unauthorized ratification of unauthorized commitments.

(4) Non-current clauses and provisions.

(5) Citing incorrect paying offices and other financial editing errors.

(6) Procurement of unauthorized supplies or services.

(7) Improper administration of unpriced purchase orders.

The above discrepancies also apply in general to delivery orders, however an additional recurring discrepancy regarding delivery orders is that they sometimes cite expired or incorrect contracts.

b. Causes and Contributing Factors

The primary cause of discrepancies in the use of the purchase and delivery orders is that they are the most complex and time consuming purchasing vehicles available to small purchase personnel. As such, there are a plethora of administrative and legal rules governing their preparation and use. Purchase orders/delivery orders may be modified or terminated, hence additional effort and expertise is required in order to execute these functions properly. Purchase orders may also be issued as unpriced purchase orders, and there are a host of administrative requirements that govern the use of unpriced purchase orders. Before the advent of the FAR, and to some extent after the introduction of the FAR as well, guidance has not been succinct and easy to locate. The FAR has several different sections that deal with purchase orders, and as a result small purchase personnel have a difficult time ascertaining exactly what requirements must be met. The administrative burdens coupled with a paucity of training in the proper use of purchase orders and delivery orders have combined to make their use one of the most difficult and error prone aspects of small purchase.

c. Recommended Solutions

The primary area of concentration in training regarding the use of purchase and delivery orders should focus upon the legal aspects of these documents, and the resultant attention to detail that is required. Small purchase personnel should be trained in the detailed

procedures of the preparation of purchase and delivery orders, with emphasis placed upon each section of the document as regards it's importance and effect. Extensive training should be given in the areas of modifying or terminating these documents, as well as the proper use of unpriced purchase orders. As these documents are utilized for most non-recurring purchases, particularly those of a relatively high dollar value, it is important to give small purchase personnel a good conceptual base upon which to draw when they do utilize these purchasing methods.

5. Documentation

a. Problems

Documentation of any procurement action serves several purposes vital to the overall acquisition process. First, documentation preserves the factual setting within which a procurement took place. This record is essential to decisions that will be made in future procurements, such as determining the fairness and reasonableness of price. Second, documentation serves as a basis of review of the performance of the small purchase buyer. Third, documentation provides answers to questions asked during the course of external investigations, inspections, and reviews. Finally, documentation may serve to justify the actions of a buyer or an activity should legal action result from a procurement decision. In small purchase, this documentation is no less important than for any area of procurement.

Various CMR discrepancy reports cite the following as frequently occurring documentation weaknesses:

(1) Purchase files do not contain retained copies of all required and optional forms used, or do not contain sufficient copies for proper administration.

(2) Available records do not always indicate what was bought and for whom. This generally means lack of an accompanying requisition or other requirements document. It is the researchers' opinion that CMR personnel are particularly sensitive to this discrepancy because it indicates the possibility of unauthorized commitment or potential fraud.

(3) Evidence of competition, when required, is often missing from the files. This appears to be frequently cited when written records of price quotations, especially from unsuccessful sources, are not retained in the files.

(4) Documentation of attempts to determine the fairness and reasonableness of price is often missing from the files. Interviews indicate that this most often results from an actual failure to conduct an adequate investigation of price reasonableness. This performance failure, the researchers believe, can be attributed primarily to an ignorance of the kind of information required and where it may be found.

(5) Documentation of efforts to meet requirements through mandatory sources of supply are missing from the files. Often, research indicates, small purchase buyers rely on originators to perform the screening function without obtaining documentation of their efforts.

(6) Complete documentation of BPA calls sufficient to ensure proper rotation among all eligible vendors is not contained in the files.

(7) Evidence to support sole source procurements is either inadequate or is missing from the files.

b. Causes and Contributing Factors

The fundamental cause of incomplete, inadequate, or missing documentation is, according to observation and interview, a failure to understand the vital purposes served

by that documentation. The "paper work" is viewed as an unbearable administrative burden rather than as a means to achieve the goals earlier stated. Performance requirements and mounting backlogs often cause buyers to opt for expediency rather than the future protection that proper documentation may afford. Research also indicates that in a limited number of instances documentation problems stem from a lack of knowledge of existing documentation requirements.

Significant contributing factors, supervisors and buyers are free to admit, are to be found at levels above that of the individual buyer. Supervisors, subject to many of the same pressures felt by buyers, often do not perform thorough and frequent reviews of buyer documentation. Finally, according to the researchers' observations, only a limited attempt is being made at most activities to develop and use local forms to assist in documentation.

c. Summary of Solutions

An effective small purchase refresher course, the researchers believe, should begin treatment of documentation with a review of the specific small purchase concerns that require documentation. Specifically, the documentation requirements related to the following areas should be clearly developed:

(1) Competition.

(2) Fair and reasonable pricing.

(3) Mandatory sources of supply.

(4) Small business and other socio-economic concerns.

(5) BPA records and rotation.

(6) General bid solicitation (written and oral).

(7) Sole source justification.

In addition to enumeration of the specific documentation requirements, the researchers believe it prudent to familiarize buyers with the purposes served by documentation, and the protection that may potentially be afforded. This may be reinforced by establishment at each activity of a formal file maintenance program, to include a comprehensive checklist, convenient local forms, and training in their utilization. Finally, as indicated in most areas, buyers desire a list of current references for day-to-day use.

6. Determination of Fair and Reasonable Price

a. Problems

One of the key tenets of Government procurement is that the prices paid for supplies and services be fair and reasonable. In general, this requirement is satisfied by obtaining adequate competition, which will in theory result in fair and reasonable prices. In the absence of competition however, buyers are required to ensure that prices paid are in fact fair and reasonable. If there is not adequate competition, the buyer is required to document the purchase file with a determination that the price paid for the supplies or services was fair and reasonable. This can be accomplished by comparing prices to those previously paid for the same material, obtaining catalogue prices, conducting elementary cost or price analysis, obtaining price lists, or any other logical means of determining price reasonableness. Buyers, however, are often unclear regarding methods of ascertaining and documenting fair and reasonable prices.

Reviews by CMR teams and other auditors frequently cite the following discrepancies regarding fair and reasonable pricing:

(1) Buyers frequently fail to document their determination that prices paid were fair and reasonable.

(2) In many cases where a determination of price reasonableness was in the file, it was weak or inadequate. For example, determinations are made based upon a price list or catalogue price, but the price list or catalogue cut was not in the file or otherwise available.

(3) Determinations of price reasonableness often cite a previous purchase, yet the previous purchase did not have any determination of price reasonableness.

(4) Where only one source had been solicited, the required determination of price reasonableness was frequently missing or inadequate.

As a result of the aforementioned discrepancies, the public and the Congress are becoming increasingly concerned with Government purchasing, particularly in light of the derogatory press of late concerning this issue.

b. Causes and Contributing Factors

The fundamental cause of discrepancies regarding the determination of price reasonableness is that although small purchase regulations require a determination of price reasonableness, they do not explain in any great detail how to determine if a price is fair and reasonable. Buyers are also often under severe stress to meet PALT limitations and to increase their throughput, so they are reluctant to spend the time required to ascertain and document that prices are fair and reasonable. These two factors, coupled with the uncertainty as to when they are required to make a price reasonableness determination tend to exacerbate the problem of missing or inadequate determinations.

c. Summary of Solutions

Methods of determining if prices are fair and reasonable should be one of the most salient aspects of any training for intermediate level small purchase personnel. Unlike many other aspects of small purchase, this determination requires that small purchase personnel exercise a great deal of judgement. In order to expect that these personnel exercise good judgement, it is incumbent upon supervisors and the small purchase hierarchy to provide the needed educational and technical skills upon which to base sound judgement. Basic analytical tools such as cost and price analysis and value analysis should be addressed so that these personnel are adequately equipped to make these decisions. Additionally, other techniques and methods should be addressed to ensure that personnel understand the concept of fair and reasonable pricing as well as the procedure to assure it. The key to ensuring that price determinations have been made is through documentation of files, therefore small purchase personnel should be advised of the importance of documenting their determinations. Proven methods of satisfying documentation requirements should also be illustrated and explained. In summary, the key to improving determination of price reasonableness is to educate personnel as to the importance and techniques that comprise an adequate determination of price reasonableness.

7. Competition

a. Problems

Competition is one of the most visible and misunderstood aspects of small purchase. As of late, the lack of competition in small purchase has received an increasing amount of attention from the public and the Congress, and as a result the Services have been compelled

to focus more attention on establishing and meeting competitive goals for competition in small purchase. Within small purchase there are several thresholds that govern the amount of competition required.

If a procurement action is for less than $1,000, competition is not required, although purchases should be rotated through the business base. If a procurement exceeds $1,000 but is less than $5,000, buyers are encouraged to post a notice of the intended procurement in a public place. They are further required to attempt to obtain competitive bids for the procurement in order to ensure that the price is fair and reasonable. If the procurement exceeds $5,000 but is less than $10,000, buyers are required to post a notice of intended procurement, and are required to ensure that the procurement is as competitive as possible. All procurements in the aforementioned range are unilaterally set-aside for small business [Ref. 57]. If the procurement is in excess of $10,000, the requirements for competition are essentially the same as for contracting in excess of $25,000. In an attempt to ensure that adequate competition is solicited, procurements in this range are also required to be synopsized in the Commerce Business Daily. [Ref. 58]. Essentially then, competition is required for all procurements in excess of $1,000.

Inspections and audits of small purchase organizations consistently cite the following recurring discrepancies regarding competition:

(1) Although competition is not explicitly required for purchases of less than $1,000, buyers are not rotating procurements among the qualified business base.

(2) Where buyers are compelled to make non-competitive procurements, they are not taking action to encourage and promote competition for future purchases of the same material or services.

(3) Purchases are often split to avoid exceeding the $1,000 threshold requiring competition.

(4) Documentation relative to soliciting competition is often weak or non-existent in purchase files.

(5) The percentage of competitive procurements in small purchase is consistently below goals that are considered reasonably attainable.

b. Causes and Contributing Factors

The primary cause for discrepancies in the area of competitive procurements is that small purchase personnel generally have a lack of understanding concerning the intent and importance of competition. In many cases, small purchase personnel are uncertain as regards their responsibility to ensure that competition is evident in their purchases. Specifically, buyers often do not utilize the general concept of competition within the purview of non-competitive purchases of less than $1,000. Small purchases are often made in a competitive environment, however competitive efforts are not documented. There are several other factors that contribute to a perceived lack of competition in small purchase:

(1) Conflicting or confusing requirements or direction regarding the need for competition.

(2) Increased emphasis on competition in small purchase.

(3) A general emphasis on throughput and getting materials and services expeditiously that hinders the conflicting requirement for competition.

c. Recommended Solutions

The focus of any solution to the problem of a lack of competition in small purchase should be upon increasing the awareness of small purchase personnel on the

background and importance of competition. Buyers should be well versed regarding the intent of the public and the Congress concerning competition, and the degree to which competition statistics are scrutinized by these bodies. In order to effect increased competition, succinct guidance regarding how and when to pursue competition should be prepared, as well as recommended methods of improving the level of competition for commodities that traditionally display a lack of competition.

8. Small Business and Other Social Programs

a. Problems

Congressionally mandated social programs are a fact of life that have been embraced with varying degrees of success by the procurement process. Interviews indicate that small purchase buyers are aware of these programs and their impact upon the field of small purchase only in a general sense. While involvement with small business programs constitutes the major focus of buyers, weaknesses have appeared in other areas as well. The researchers' review of available CMR documentation indicates the following chronic problems associated with small business and other social programs:

(1) Purchase orders, BPAs, and imprest fund purchases which should be issued to small businesses are not always so directed. Potential vendors are not informed, early in the process, of the set-aside status of qualifying actions. Buyers fail to keep abreast of the small business certification status of potential vendors. Awards are knowingly made to large businesses.

(2) Buyers are unfamiliar with the procedures to follow when there is no reasonable expectation that two or more responsible small business concerns will offer

quotations on an action requiring competition, or that one will respond on an action below the competitive threshold.

(3) Buyers fail to adequately document small business transactions.

(4) Small purchases are accomplished without regard to these other potentially relevant socio-economic concerns:

(a) Utilization of labor surplus areas.

(b) Utilization of firms that hire the handicapped.

(c) Utilization of firms that hire disabled and Viet Nam era veterans.

(d) Buying American-made supplies and services.

(e) Utilization of firms and products which promote pollution control and energy conservation.

b. Causes and Contributing Factors

Interviews with buyers and supervisory personnel indicate a general failure to understand the broad relationship of Government procurement to the achievement of social and economic goals. The long range benefits to be obtained from encouraging small, minority, disadvantaged, and environmental groups to participate in Government are are not immediately evident in the environment of small purchase. This conceptual failure is compounded by a lack of buyer familiarity with the specific regulations regarding the use of these resources and the limitations upon their use. Buyers relate that it is simply easier and faster to deal with large businesses. Also, there appears to be a common lack of knowledge of the specific areas of socio-economic emphasis other than small business.

As in other identified training areas, supervisory weaknesses appear to contribute to shortcomings in

small purchase promotion of the various social and economic programs. The researchers did not observe that buyers were regularly reviewed specifically to evaluate performance in this area. Existing training programs do not appear to devote sufficient emphasis to topics in this area.

c. Summary of Solutions

It is suggested by the researchers that training in this subject area include buyer exposure to both the underlying policy goals and objectives as well as the specific enacting regulations. Both the general and functional discussions should focus on the relationship to the field of small purchase and the specific role played by the small purchase buyer in accomplishing the stated goals. Next, buyers should, the researchers believe, be given a review of the the most commonly encountered small business provisions in the FAR. This review should include an explanation of the content of the various clauses frequently employed. Buyers have also indicated a need to receive instruction concerning other social and economic programs that may apply to small purchase actions, and how best to implement those programs. Finally, buyers desire access to a topical list of current regulations and other references.

9. Accounting Data and Appropriations

a. Problems

One of the areas which presents the most difficulty to small purchase personnel is that of appropriations and accounting data. Purchasing personnel are generally quite familiar with purchasing rules and regulations, yet are often lost in regards to the financial rules and regulations governing procurement. Purchasing personnel are also often uncertain as to the meaning and limitations associated

with different types of accounting citations. Buyers as a result, are frequently unfamiliar with the types of supplies and services that can be funded by different appropriations, and what, if any, justification is required. This uncertainty sometimes results in procurement actions being delayed while the buyer obtains clarification regarding the propriety of using a particular accounting classification. In some instances, this uncertainty may also result in the buyer rejecting the purchase request as unauthorized, when in fact it is a legitimate procurement using the cited funds.

Another common problem associated with financial data is that buyers are often bewildered at the end of the fiscal year concerning when purchases must be made to ensure that they constitute a valid obligation of funds. This problem is exacerbated by the plethora of funding documents and corresponding fund cites that may in some circumstances authorize funds to be carried over from one year to the next. The line between annual appropriations, multi-year appropriations, and no-year appropriations is often hazy at year end, resulting in personnel either rejecting last minute requests, or committing violations of Revised Statute (R.S.) 3678. Some of the frequently cited discrepancies in this area are as follows:

(1) Buyers often do not understand the legal restrictions placed on different appropriations.

(2) Buyers sometimes make procurements that result in a violation of R.S. 3678.

(3) Purchase actions are often delayed while buyers attempt to determine the propriety of using the funds cited.

A final problem in the general area of accounting data and appropriations is that purchasing personnel frequently cite the incorrect paying office on

purchasing actions that they execute. These errors result in an additional effort by buyers as well as finance personnel in order to correct a problem that should not have occurred at the outset. It may also result in late payment of invoices and the attendant interest costs.

b. Causes and Contributing Factors

The crux of the uncertainty surrounding the proper use of differing fund cites is that regulations governing the use of each type of appropriation are often vague and difficult to understand. As such, there is a general lack of understanding about of the major types of funding that are utilized in the DON. For example, Ship Conversion, Navy funds are ostensibly for the conversion of ships and ship's equipment. In selected cases however, these funds may be utilized for travel, purchase of investment type equipment, or for the procurement of consumables. Other appropriations also have exceptions that allow them to be utilized for other than their commonly stated uses.

Unfortunately, financial guidance in this area is often ambiguous, and even financial personnel may have a difficult time ascertaining if particular appropriations can be used for specific purposes. There is not any source of succinct guidance regarding utilization of different appropriations for different purposes, hence uncertainty and confusion are frequently the norm. Additionally, fiscal year end buying pressures and uncertainty regarding the use and availability of annual , multi-year, and no-year funding causes confusion and inefficiency at year end.

c. Recommended Solutions

The solution to problems regarding appropriations and accounting data is to educate small purchase personnel in the idiosyncrasies of their intent and use. A

convenient and definitive guide to the different appropriations and their authorized uses should be compiled. This reference should include exceptions and specific authorizations for the use of each appropriation that may be required, in order to ensure that a base line of technical descriptions is available to personnel in the field. Small purchase supervisors also need expertise in this area so that when problems arise, that are not covered in the comprehensive reference they can be brought to supervisors for resolution. Liaison must also be made with financial personnel within the command to ensure that consistent interpretations are being made in both the purchasing shop and in the financial section regarding the propriety of fund utilization. Clarification should also be provided to small purchase personnel regarding their legal responsibilities relative to violations of R.S. 3678, and accountability between the financial section and the purchasing section must be established and enforced. Additionally, clear guidance should be provided at the end of each fiscal year concerning the cut-off for obligations citing expiring funds This guidance should also enumerate the conditions under which expired funds may be utilized to fund contracts in the succeeding year.

Small purchase personnel should also be given training regarding their responsibilities in the area of financial data that routes invoices to the proper paying office. They must also be advised of the effects of incorrectly citing a paying office and the resultant corrective action required.

10. Imprest Fund

a. Problems

The problems associated with the implementation of imprest fund purchase are primarily procedural in nature, and are largely a result of inadequate attention to governing regulations. Unlike most of the other areas covered in this section of the research paper, additional training is not the cure, rather additional attention to detail appears to be the remedy. The primary area of training needs regarding the imprest fund is that of increased utilization of imprest funds by small purchase personnel, and better documentation of existing use. Imprest funds are the preferred method of small purchase for items costing less than $150 ($300 in emergencies) [Ref. 59], as they are administratively the least costly method of making a procurement. The fundamental concept behind the use of the imprest fund is that the customer is authorized to obtain an advance of funds and purchase the item independent of the purchasing agent. Since the material is selected, received, and paid for in one transaction, significant savings accrue to the Government in terms of effort and paperwork that has been avoided. In many cases however, small purchase personnel are reluctant to utilize the imprest fund and as a result they increase their workload and the cost of effecting the procurement. On the other hand, some small purchase personnel attempt to circumvent limitations on the use of imprest funds by splitting purchases in order to reduce them below the imprest fund dollar threshold. Since the imprest fund involves cash transactions, there are a plethora of rules governing their use, and these fairly stringent rules are often violated by personnel involved in the transaction. Common problems frequently cited are as follows:

(1) Imprest funds are used to procure unauthorized supplies and services.

(2) Imprest fund cashiers frequently have cash in excess of their authorization or needs.

(3) Purchasing personnel occasionally split purchases in order to reduce them below the threshold authorizing use of the imprest fund.

(4) Some imprest fund cashiers do not have the required authorization to establish and maintain an imprest fund.

(5) Documentation of imprest fund purchases is generally inadequate.

b. Causes and Contributing Factors

The primary cause of deficiencies in imprest fund management is that small purchase personnel frequently fail to utilize the imprest fund to the maximum possible extent. Additionally, where small purchase personnel do utilize the imprest fund, they fail to comply with fairly detailed procedures designed to provide accountability of funds.

c. Recommended Solutions

Small purchase personnel should be convinced of the personal advantages that can accrue to them if they better utilize the imprest fund. Particular stress should be placed on the expected decrease in paperwork on their part, and the decrease in time required on their part to effect a small purchase of this nature. They should also be advised of the importance of maintaining adequate documentation of imprest fund purchases due to the intense scrutiny that these purchases receive from a fiduciary perspective.

11. Automated Data Processing (ADP) Procurement

a. Problems

The expansion of the small purchase threshold to $25,000 for the Department of Defense has caused a number of new types of material to fall within the jurisdiction of simplified purchasing procedures. The research indicates that some of these new responsibilities have proved to be anything but simple. ADP procurement is cited in interviews as one of the most troublesome new areas of small purchase involvement. In the activities that the researchers observed, it was not uncommon for one or two selected buyers to handle all ADP actions. It appears that the average small purchase buyer is not familiar with the equipment, the suppliers, the available Federal schedules, and the specific contractual requirements for hardware and software procurement.

b. Causes and Contributing Factors

In addition to the basic buyer ignorance cited above, the volatile environment of data processing contributes to the difficulties that small purchase buyers face. The Navy is experiencing a tremendously rapid increase in the utilization of ADP equipment at all levels of customer activity. Constant technological and application changes virtually demand the undivided attention of anyone involved in the field. Concurrently, the Federal Government appears to be exhibiting similar dynamic behavior in the areas of regulation and assignment of administrative responsibility for ADP equipment. Finally, managers and supervisors at most activities have no greater expertise in the area than the buyers, and so can offer little guidance and support.

c. Summary of Solutions

The researchers submit that any training material developed to assist buyers in handling ADP transactions should be jointly constructed by ADP and small purchase personnel. Buyers have suggested a desire to become familiar with the following subjects:

(1) The basic components of ADP systems.

(2) The common functions served by ADP equipment at customer activities.

(3) The unique legal and regulatory requirements associated with ADP.

(4) Unique documentation and documentation content requirements.

(5) Sources of ADP equipment.

(6) ADP terminology.

(7) The nature and components of ADP pricing.

12. Prioritization of Requirements

a. Problems

A common problem of small purchase is that of priorities; both within the purchasing section itself, and within the supply system as a whole. As a result of a general lack of understanding regarding the use of priorities within the supply system, small purchase personnel often set work priorities that are not congruent with those of the organization and of their purchasing workload. The researchers observed that small purchase personnel frequently overlooked priorities assigned on purchase requests, and instead concentrated on those purchase actions that had been in their backlog the longest. They also frequently devoted their attention to walkthrough requests, even if they were of a lower priority than work in the queue at their workstation.

b. Causes and contributing factors

There are several factors that affect the performance of small purchase personnel in the area of prioritization of their work. One of the most significant problems is that supervisors and the organization in general, do not perform a satisfactory job of screening walkthrough requests. In an apparent effort to provide responsive service to their customers, small purchase organizations generally act immediately on walkthrough requests regardless of their priority. In theory, walkthrough requests are only made for high priority items, however in practice they are frequently for items that do not justify a walkthrough. When small purchase personnel are presented with these requests, they generally respond to them immediately, often at the expense of higher priority purchase actions. Additionally, small purchase personnel oftentimes do not understand the intent of the priority system, (UMMIPS) and as a result have a difficult time executing it as it is designed. The ultimate result is that purchase actions are not made in their relative priority, and high priority purchase actions of critical importance often languish while lesser priority purchase actions are being completed.

c. Recommended solutions

The key to the proper utilization of the priority system is to educate both customers and buyers regarding the assignment and effect of priority ratings. Small purchase personnel must be made aware of the importance and impact of priority ratings, and must be motivated to adhere to those assignments. Supervisors have a heavy burden in this regard, as they must assist buyers by screening purchase requests and they must ensure that

customers do not place undue pressure on buyers to give immediate attention to their requests. It is also incumbent upon supervisors to educate their customers regarding the meaning and intent of the priority system, and to attempt to convince customers that it is in the customers best interests to adhere to the priority system.

VI. RECOMMENDED TRAINING GUIDE FORMAT

A. INTRODUCTION

The objective of this section of the research is to discuss in a general sense, the key elements of a training guide for small purchase personnel. A study of existing formal and informal training material in this area has revealed a distinct lack of consistency, and in some cases a somewhat haphazard approach to the presentation of the training materials. The researchers' aim is to prescribe a recommended standard approach to preparation of a small purchase training guide that will provide consistency in approach and, most importantly, cover those general areas of a training guide that are most essential. During the course of this research, one of the most consistent comments of small purchase personnel and their supervisors was that the limited amount of training that was available treated the subject matter in a fairly cursory manner. They additionally commented that these materials generally failed to provide any background into the "whys" and "wherefores" of the covered areas, resulting in the training material being little more than a procedural manual, rather than a legitimate training manual. As a result of this research, the researchers feel that the following concepts must be covered in some detail in each area of training that is being presented, in order to fully address the training needs of small purchase personnel in the field.

1. Subject Area
2. Definitions
3. Governing Rules and Regulations
4. Rationale and Reasons for Policies and Procedures

5. Common Problems and Discrepancies
6. Suggested Solutions
7. Training Materials and Recommended Guides

B. SUBJECT AREA

It is recommended that this portion of the training guide provide a brief introduction to the subject matter to ensure that it is properly identified. The discussion should focus upon what exactly is being discussed so that readers can expeditiously review this section to determine if the training is applicable to their particular needs. A common shortcoming that must be avoided is assuming that the personnel understand the concept being discussed, and that an explanatory introduction is not necessary. If the area of discussion is one that is subject to wide interpretation, it should be developed in fairly precise detail. It is critical at this juncture to ensure that the focus and application of the subject matter is squarely upon small purchase and that it is not upon a concept that has different interpretations for other types of purchasing. If the subject is one that has application to contracting over the $25,000 threshold, it is incumbent upon the person developing the training to ensure that the scope does not extend beyond the bounds of small purchase.

C. DEFINITIONS

This portion of the training guide should define those terms that will be utilized in the course of developing the particular subject matter. Technical definitions should be given, as well as interpretations in easy to understand language. It is important to ensure that the terms are understandable, for if small purchase personnel are lost at this point, it is fruitless to proceed. Particular care

must be given to providing working definitions of any legal terms that are discussed and examined.

D. GOVERNING RULES AND REGULATIONS

The objective of this section of the training guide should be to list the primary sources of governing rules and references, in order to allow the reader to refer to them as necessary. The primary sources of guidance should first be listed, followed by a secondary list of less commonly referred to directives. When listing the above references, is is important to not only list the reference, but to also list the specific paragraph or section of the reference that is applicable. It has been common practice in the past to list a reference such as "the Federal Acquisition Regulation," and although this is technically accurate, this practice discourages personnel from actually referring to the cited reference, as it often takes an inordinate amount of time to find the applicable section within the directive. Another important reason for citing specific references is that many reference sources often have pertinent or even contradictory material in different sections of the reference. If a person has the time and the motivation to look up references, they may not be familiar enough with the reference to be aware that they may need to look in several different places within the reference. If specific references are listed, personnel will be better motivated to refer to references and gain a better understanding of the subject matter.

E. RATIONALE AND REASONS FOR POLICIES AND PROCEDURES

This section is one of the most important in any training guide of this sort. Oftentimes, training guides are prepared with little or no background material to allow the

reader to understand why they are doing what they are being directed to do. Throughout the course of this research, this concern was frequently expressed, as small purchase personnel and their supervisors felt that they were being told how to perform tasks, but were not being educated regarding why the procedures or policies were important. Most of these personnel felt that they would better be able to support and execute the myriad of procedural steps that they are required to be familiar with if they knew why these policies and procedures were important. During the course of this research, the researchers frequently pointed out the importance of many of these seemingly pointless policies, and small purchase personnel generally responded in a positive fashion when they understood the importance of performing those procedural aspects of small purchase in the prescribed manner. It is also important at this juncture to point out to small purchase personnel the effects of not performing their duties in the prescribed manner, so that they are aware of the potential impacts.

F. COMMON PROBLEMS AND DISCREPANCIES

In order to place the emphasis of the training in its proper perspective, it is important to identify common problems and discrepancies so that trainees can ascertain the applicability of the solutions and guidance within the framework of their own personal experience. This section should include as a minimum, recurring CMR (Contract Maintenance Review) discrepancies so that there is no mystery concerning what is expected of them from an inspector's or auditor's viewpoint. A fairly detailed discussion of the discrepancies should follow so that the trainees are aware of precisely what the discrepancies and recurring errors are. Vaguely worded statements, as are common in CMR

reports, are not useful in that they do not, in general, specify exactly what the discrepancy was that has been cited. Additionally, common pitfalls gleaned from personal experience in the area should be identified and discussed.

G. SUGGESTED SOLUTIONS

This particular section of the training guide should address solutions from both a macro and a micro viewpoint. Solutions to underlying problems should be addressed so that supervisors and small purchase personnel can approach correction of deficiencies in an organized and effective manner. Specific guidance to a fairly detailed level should also be provided so that these personnel can be made aware of the precise steps and actions necessary to correct problems and to prevent their reoccurrence. This is one of the areas where central coordination and sharing of timesaving ideas can be utilized to advise personnel of better and easier methods of conducting business so that each buyer or each command does not have to "reinvent the wheel" each time a new problem arises.

H. TRAINING MATERIAL AND RECOMMENDED GUIDES

This section of the training guide should support the solutions given above by presenting any additional training guides or references that may be of utility to small purchase personnel. The person charged with preparation of the study guide should also conduct an in-depth examination of current procedures to determine if forms and other work aids can be developed to simplify the routine tasks of small purchase personnel. Small purchase personnel in the field should also be queried to ascertain if there are time and energy saving devices presently in existence that should be made available to others in the profession. In the course of

this research, the researchers noted many instances where creative small purchase personnel or their supervisors had designed mechanical devices of one sort or another to increase their productivity and effectiveness.

I. SUMMARY

In summary, it is important to tailor this training guide to meet the perceived needs of small purchase personnel at all levels. The common thread throughout this research was that these personnel desired additional training and education, and were eager to become involved in advanced training were it available. They also stressed that they felt it important to understand why it was important that they perform tasks in a particular fashion, and what impact their non-compliance would have on the small purchasing system as a whole. The next section of this chapter will present an example of a specific area of training that is addressed within the aforementioned structure.

J. AN EXAMPLE: BPA USE AND ADMINISTRATION

1. Subject Area

The material in this module will address practices associated with blanket purchase agreements, regulations associated with these agreements, reasons for existing policy and procedures concerning BPAs, and common problems associated with their implementation and use. The primary purpose to be achieved is a better understanding of the nature of the BPA and the potential pitfalls faced by all small purchase professionals. This is not an attempt to teach the experienced buyer the nuts and bolts of BPA documentation or procedure. The training material will assume a basic level of training and professional experience.

As an experienced small purchase professional, the usefulness of the BPA has undoubtedly been seen first hand. If handled correctly form birth to death, the BPA can considerably simplify the purchasing process under a wide variety of circumstances. Lack of attention, however, can rob a buyer of much of the utility or service that can be received. For this reason, material in this model will concentrate on possible areas for improvement in the administration of BPAs. It is hoped that by stimulating a constructive self-evaluation, and by offering some simple recommendations, the material will:

a. Reduce the number of BPA-related discrepancies reported in Contract Management Review (CMR) and other audits and evaluations;

b. Improve the level of service that the small purchase professional can provide;

c. Reduce the inconvenience and inefficiency associated with error detection and correction;

d. Enhance the self-confidence and evaluated professional performance of the buyer in the area of BPAs; and

e. Allow buyers to obtain maximum benefit from the savings in time and effort afforded by BPAs, thereby allowing concentration on other essential tasks.

2. Definitions

The definitions and interpretations of the following terms, which will be used throughout the material, are provided to ensure a common frame of reference when discussing BPAs:

a. Agreement: A written document which expresses an understanding reached between the Government and a contractor regarding possible future contracts. The agreement is not a contract itself and does not promise that any

contracts will actually materialize. Its primary purpose is to identify the terms and clauses to be part of any future contract.

b. Blanket Purchase Agreement: An agreement which provides a simple method of filling future repetitive needs for supplies and services. BPAs are often referred to as "charge accounts" established with qualified sources of supply. Orders are placed against the BPA as needs arise, and payment is made on a periodic basis for all orders placed during the period.

c. Call: An order placed under the terms and conditions of an existing BPA. Such an order is really an offer by the Government to purchase, and becomes a binding contract when accepted by the contractor or vendor.

d. Rotation: The practice of regularly and systematically changing the contractors or vendors who receive calls or are asked to submit quotations or bids. Proper rotation implies that all qualified sources have an opportunity to do business.

e. Review: The process of examining, on a regular basis, the BPA itself, the calls placed, and the procedures employed on a day-to-day basis. Such an examination must be objective and designed to improve the buying process.

f. Documentation: All written records associated with an individual BPA throughout its life. This would include copies of the BPA with all included clauses, purchase requests that have been satisfied through the BPA, records of all written or oral quotations and bids, sole source justifications, copies of the actual orders, records of any contacts with the vendor, copies of invoices where applicable, and records of any other buyer action related to the BPA. If any matter relates to a BPA, it should be written down and included as part of the documentation package.

g. Required Clauses: Those clauses required by regulation to be included in a particular BPA. It is important to note that some clauses must be in all BPAs, while others must be used only under certain circumstances. Further, clauses required by the FAR may be supplemented, but not replaced, by other clauses specified by various echelons in the chain of command. These clauses are addressed in Sections 3 and 7 which follow.

h. Adequacy of Terms: Whether or not the terms and conditions specified in a BPA are in the best interests of the Government and the contractor or vendor. Conditions change over time, so the buyer must regularly evaluate adequacy of terms to protect the Government.

i. Equal Vendor Opportunity: A condition resulting from each vendor or contractor, in the long run, having the same number of chances to receive orders as any other vendor or contractor. Equal opportunity does not mean that each vendor will experience the same success rate.

j. Administrative Costs: All costs associated with translating a purchase request into goods or services to satisfy the need. Essentially, this consists of all the time and materials expended by the small purchase buyer over the life of the action.

k. Administration of BPAs: All actions taken by small purchase personnel to maintain, review, and use active BPAs. Establishment and disestablishment of BPAs will often be included under the heading of administration also.

l. Mandatory Sources of Supply: Those sources from which a buyer must, by regulation, obtain goods and services if they are available (eg. the supply system and Federal Supply Schedules). Both Government and non-Government sources may be classified as mandatory, such as Federal Supply Schedules, and there is a specified order in which they must be approached.

m. Competition: The process of allowing prospective vendors or contractors to contend against one another to determine which can most satisfactorily meet some objective requirement. Government policy establishes this as the preferred method to meet Government and social interests.

3. Governing Rules and Regulations

The following regulations relate to BPAs:

Reference	Subject
a. FAR 13.201	BPAs, General
b. FAR 13.203	Establishment of BPAs
c. FAR 13.204	Purchases Under BPAs
DOD FAR SUPP 13.204	
d. FAR 13.205	Review Procedures
e. FAR 13.206	Completion of BPAs
f. FAR 52	Clauses
DOD FAR SUPP 13.203-2	
DOD FAR SUPP 52	
g. FAR 4.8	Documentation
DOD FAR SUPP 4.8	
h. DOD FAR SUPP 4.7004-4	Numbering
i. FAR 13.106	Competition and Price Reasonableness
j. FAR 13.107	Solicitation and Evaluation of Quotations
k. FAR 13.105	Small Business-Small Purchase Set Asides
l. FAR 5.1	Dissemination of Information
m. FAR 5.2	Synopses of Proposed Contracts
n. FAR 8	Required Sources of Supply
o. FAR 22	Applicability of Labor Laws

The following list contains instructions and local guidance related to BPAs:

-- List Provided by the Local Activity --

4. Rationale and Reasons for Policies and Procedures

The small purchase shop is a hectic arena, characterized by a seemingly endless stream of purchase requests and required actions. The buyer's time and effort are the price that the Government pays to accomplish this essential task; a price that can be measured in dollars as well as anxiety. For a large percentage of these requirements, the price is larger than the worth of the items involved. Reduction of these administrative costs is the purpose of the BPA. The preparation of individual purchase orders is replaced by simple call procedures. Invoices may be processed in a batch rather than one at a time. The vendor realizes similar savings in administrative costs through simplification of his/her paper work procedures. The BPA, then, serves to reduce the time and effort, and hence the cost, of routine and repetitive orders to a single vendor.

Once a BPA is established with a qualified vendor, the Government has opened the door for possible future contractual relationships with that vendor. How does the the professional small purchase buyer, as a representative of the Government, ensure that prices will be reasonable and quality acceptable? Common sense and Government policy indicate that competition will accomplish both goals. In order to compete for individual orders, multiple BPAs must be in effect for the same types of items. This is the reason that buyers are required to seek out and establish BPAs with several qualified vendors in each commodity group.

Small businesses, even those with established BPAs, cannot maintain contact with Government customers and their

needs as well as larger businesses can. Becoming aware of potential business too late, or not becoming aware at all, could put many eligible vendors in a disadvantageous position and defeat the goal of meaningful competition. The practice of synopsizing anticipated requirements in the Commerce Business Daily (CBD) helps small firms stay abreast and stay competitive. For this reason, the synopsis requirement may apply to BPAs and even calls.

Another purpose served by Government procurement in general, and small purchase in particular, is the maintenance of a strong business base in America. This means that a sufficient number of firms in all industry groups remain healthy enough to provide our country's needs under all conditions. The Government must protect itself against becoming too reliant on any one source. Commercial businesses, at the same time, can only be vital and interested in doing Government work if they benefit from awards and the resultant funds. Rotation of calls and bid solicitations among qualified vendors on a regular basis will accomplish these vital purposes.

Many things other than the provision of a good or service can and do result from a small purchase action. A determination of the fairness and reasonableness of a price may become the basis of price analysis in some future action. Actions taken in a particular buy may be used to evaluate the small purchase professional. Practices at a particular activity will almost certainly be the subject of periodic reviews, inspections, and audits by various organizations. Internally, reviews are made to ensure that the best possible buying decisions are being routinely made. Finally, if things do not go smoothly, a small purchase action may result in unpleasant litigation. The only certain way to protect the interests of both the buyer and the Government in all these situations is to keep complete

and detailed records of everything related to an action. This is the basis for the concern with documentation.

A BPA is an expression of a relationship between organizations over time. As the Government's needs and vendors' situations change over time, so must the terms and conditions of a BPA. Clauses may change. The scope of an activity's requirements may change. The capabilities of a vendor may change. In order to ensure that current needs are served, and the Government's interests are protected, the Federal Acquisition Regulation requires that BPAs be reviewed regularly. Specific review requirements may be found in the FAR references cited in Section 3.

Every year the Government expends enormous numbers of dollars and hours attempting to provide a responsive system of internal supply. Additionally, Congress has identified specific groups of people as deserving of special help in the form of reserved Government business opportunity. Along with Federal Supply Schedules (FSS), these sources constitute mandatory sources of supply. By utilizing these sources whenever possible, the buyer assists in achieving several important goals. Fewer scarce procurement dollars are tied up at any one time in duplicated items. Regular utilization of supply channels provides accurate usage data, and enables more effective prediction of future demand. Finally, important social policy is translated into reality.

5. Common Problems and Discrepancies

At this point, it should be noted that the majority of BPA-related actions are handled correctly and efficiently by small purchase professionals. On the whole, the purposes expressed in the preceding section are being served. There are, however, a limited number of weaknesses that appear on a regular basis at a large number of activities. The need

to deal with these discrepancies adds an unneeded burden to the backs of buyers. It is believed that if small purchase personnel address these problem areas as a corps of professionals, discrepancies will be eliminated and energies may be focused on the primary task, which is service.

A review of CMR reports reveals the following recurring problem areas:

a. Establishment of BPAs. Purchase orders are not scrutinized to determine if repetitive buys from a single vendor might not more economically be made under a BPA.

b. Review of Active BPAs. Regulations require that BPA content be reviewed at least annually, and procedures at least semi-annually. An evaluation must be made of adequacy, currency, and completeness of all terms and clauses.

c. Disestablishment of BPAs. BPAs are not always being promptly disestablished when time or dollar limitations have been reached, or when the demonstrated need for the BPA no longer exists.

d. Documentation of Calls and Solicitations. Purchase requests, written records of solicitations, bids, and quotes are not being maintained in the BPA files. This is particularly true with regard to oral transactions, and records associated with unsuccessful vendors.

e. Insufficient Numbers of BPAs. The number of BPAs established for qualified vendors in a particular commodity group does not permit meaningful competition over time. Too few vendors are involved, thus denying price protection to the Government and growth to the business base.

f. Call Rotation. Rotation practices do not promote equal vendor opportunity. A small group of vendors often get an inordinate number of solicitations and/or awards. An unsuccessful vendor does not always receive another opportunity within a reasonable period of time.

g. Screening of Mandatory Sources. Attempts to acquire requested materials from mandatory sources are not always made and/or documented. This is a particularly sensitive area in light of the negative publicity surrounding the spare parts issue. Individual requirements must be screened through mandatory sources of supply before being ordered from vendors.

h. Required Clauses. Original BPAs often do not contain all clauses required by regulation, or the clauses are incomplete. This problem is expected to become even more acute with the transition to the FAR. Numbering and content are changing.

i. Synopsizing. Potential BPAs and, where required, individual calls are not synopsized, or are improperly synopsized. This requirement is relatively new to buyers, and not much specific guidance has been given or generated in the field.

6. Suggested Solutions

It is expected that small purchase professionals will be able to generate a number of effective and creative solutions to the problems discussed on their own. Buyers are encouraged to develop and share these techniques to improve the overall performance at the activity. A brief discussion of some possible solutions follows, not as guidance, but merely to stimulate directed thought. Individual activities will determine the degree of approach standardization.

a. Establishment of BPAs

Be aware of the signals which commonly indicate the desireability of BPA use. A wide variety of items in a broad class are commonly ordered, but specifics are not immediately known. Offices or projects in a given area do

not have purchase authority, but do have routine needs. The writing of routine purchase orders, often to the same sources, becomes troublesome. A vendor or group of vendors consistently charges less or offers better performance. All of these circumstances may hint at the possibility of time and effort savings through use of a BPA.

Consider the practice of conducting a monthly commodity review. Review purchase orders in each major commodity group to determine if vendor patters are evident. This procedure may be accomplished using a separate BPA log for each commodity group.

It may also be useful to analyze the frequency with which purchase orders go to individual vendors. A simple card or listing for each vendor could be kept indicating the date and general items on each purchase order. These listings could be reviewed on a quarterly basis. If 3-4 purchase orders in a single quarter go to a particular vendor, it may be wise to consider a BPA.

b. Review of Active BPAs

The first step in any review should be to determine what items to look for in a review. When reviewing BPAs, some suggested items include continued need, currency of clauses, adequacy of terms, discount provisions, etc. Once this decision is made, it is suggested that all existing BPAs be divided up into 12 equal groups according to any convenient criteria; for example, alphabetically or by major commodity groups. Each group, and every BPA file in that group, would then receive a number from 1 to 12. Each month, one group would be pulled for review according to the established items. A simple record of the number of BPAs assigned to each numbered group should be maintained so that new establishments can be assigned to groups in such a way that group sizes remain relatively equal. It is also

advisable to note the date of each review directly on the individual files.

A number of similar methods follow this organizational pattern. Reviews may be conducted by commodity groups. If there are a manageable number of active BPAs, it may be possible to schedule one block of time to conduct the review.

c. Disestablishment of BPAs

The usefulness of individual BPAs may be examined using an analysis of order frequency, conducted much the same as the frequency analysis described for establishing BPAs. A card or similar record is kept for each vendor, and calls are simply noted. These cards may be reviewed quarterly to determine if the BPA is still vital as indicated by the number of calls during the quarter. Alternatively, individual call dates may be noted on a sheet attached to the BPA folder, and the vitality of the BPA may be addressed during the regular annual review previously described.

d. Documentation of Calls and Solicitations

The best advice concerning documentation may be to document whenever there is a question or doubt. This equates to the establishment and meticulous maintenance of a complete BPA file. Such a file may be arranged in chronological order of individual calls. At a minimum, it is suggested that the file contain:

(1) The latest copy of the BPA.

(2) Any records concerning negotiation of BPA terms and content.

(3) Copies of all purchase requests filled using the BPA.

(4) Records of all written or oral communications with the vendor, whether resulting in a call or not.

(5) Copies of all vendor invoices or statements if processed through the buyer.

(6) Any paying office reports indicating payments.

The form entitled "Small Purchase Documentation-Supply" may easily be modified to record much of this data. A copy of this form is included, together with other suggested documents, with this module.

The best buyer and Government protection is afforded by thorough familiarity with the general documentation requirements cited in the references section. It is also essential, however, to be aware of local requirements for documentation.

e. Insufficient Numbers of BPAs

The determination of an adequate number for BPAs is a judgement call, and will be different for every buyer in the absence of activity guidance. Remember that at least two BPAs in a given commodity group are needed to have competition. Two, however, is seldom an adequate number. At the other extreme, the buyer must strike a balance between manageability and competition. The existence of too many BPAs may lead to shortcuts in rotation that also deny meaningful competition.

In general, it is recommended that one BPA be established for each 100 anticipated calls against a commodity group at larger activities. For smaller activities, the ratio may be reduced to about one BPA for each 30 anticipated calls. While performing review procedures, the list must be groomed and unneeded BPAs disestablished. New BPAs may be established to maintain the ratio, or the buyer may find that the list will tend toward some "natural level"

of volume. This equilibrium position is suitable, however, only if proper rotation and review procedures are being followed.

f. Call Rotation

When the value of an individual call is below the threshold requiring competition, proper rotation is really just a matter of a conscientious attempt to run through the available BPAs in order. A list indicating the name of the last vendor to receive a noncompetitive call should be kept. When the call requires competition, the situation becomes only a little more complicated. The object becomes to rotate opportunities rather than actual calls. It is suggested that after the first selection of one vendor from among three bidders, the following system be used where practical:

Call	Vendors
1	A,B,C*
2	C,D*,E
3	D*,F,G
etc.	* successful bidder

Additionally, buyers are encouraged to utilize vendor frequency cards, as described, and review them on a regular basis.

g. Screening of Mandatory Sources

In order to utilize the mandatory sources of supply, the buyer must know what they are. A basic familiarity with the references cited under this topic will establish that knowledge. It is also helpful to keep a listing, constructed by the buyer or the activity, with the EPA files. These sources do change. Each purchase request should be screened against this list before the call is placed to a vendor under a EPA. It is useful to note that

EPAs may be established with vendors listed on Federal Supply Schedules.

As the buyer becomes acquainted with the kinds of items available from each mandatory source, this screening process becomes less cumbersome. Requesting activities should be encouraged to do as much of this screening as possible. At a minimum, the small purchase professional should insist that the requestor search the supply system.

h. Required Clauses

Here, again, there is no real substitute for a knowledge of the applicable regulations. This knowledge should encompass both the standard clauses required in all EPAs, and those clauses that apply under limited circumstances. A useful aid in this effort is a current EPA format guide. This guide includes an extraction of those clauses relevant to EPAs, and describes or references the requirements associated with each. An example of such a format guide is included with this module. Finally, utilize local bulletins and directives to update the guide on a regular basis.

i. Synopsis

Become familiar with the requirements for synopsizing as they pertain to BPAs. The module on synopsis included in this training guide discusses the subject in some detail. Once the principles are understood, the buyer should generate examples of BPA and call synopses to be kept with the BPA files for reference.

7. Training Material and Recommended Guides

BPA NUMBER _____

CONTRACTOR _____

BLANKET PURCHASE AGREEMENT LOG

CALL NUMBER	DATE	REQUISITION NUMBER UIC	JULIAN	SERIAL	ITEM/SERVICE	QTY	TOTAL PRICE	PROMISED DEL. DATE	CALLER'S NAME	REMARKS

Source: NSC Charleston

Figure 6.2 Small Purchase Documentation - Supply.

BPA NUMBER: _____ NAME OF SUPPLIER: _____

ADDRESS OF SUPPLIER: _____ TELE: _____

CALL NUMBER	DATE OF CALL	AMOUNT OF CALL	CUMULATIVE TOTAL OF CALLS	INITIALS OF CALL

BLANKET PURCHASE AGREEMENT FORMAT

INSTRUCTIONS FOR USE

The attached blanket purchase agreement format has been developed in order to accomplish the conversion of existing agreements issued in accordance with the Defense Acquisition Regulation (DAR) to comply with the provisions of the Federal Acquisition Regulation (FAR) and the Defense Supplement (D-FAR). Since the format includes provisions which are required to be inserted in all agreements as well as some which may be used under certain circumstances and others which have been developed for local useage, the purpose of this instruction is to provide guidance on which clauses/provisions are required.

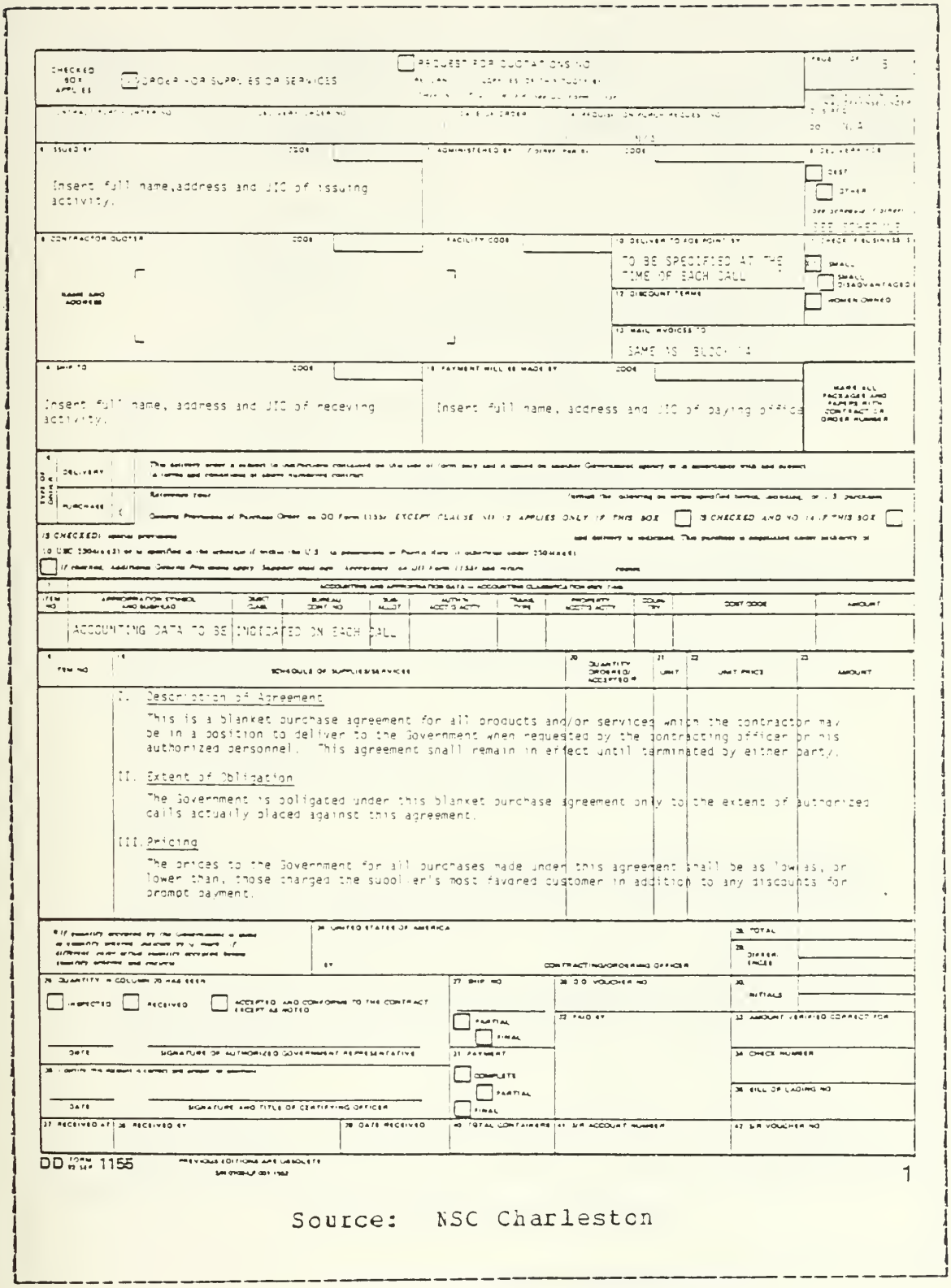
It should be noted that each provision in the agreement format attached has been numbered in order to facilitate identification of required provisions. The following is a list, by number and title, of each provision contained in the format and a note indicating when and if the provision is required in accordance with FAR/D-FAR.

Provision Clause No.	Title	Comment
I	Description of Agreement	Required. FAR 13.203-1
II	Extent of Obligation	Required. FAR 13.203-1
III	Pricing	Required. FAR 13.203-1
IV	Negotiation Authority	Required. D-FAR 13.203-2
V	Call Limitation	Required. FAR 13.203-1
VI	Individuals Authorized to Place Calls and Dollar Limitations	Required. FAR 13.203-1
VII	Notice to Government Personnel Authorized to Place Calls	Locally developed. For optional use if desired.
VIII	Notification Concerning Unauthorized Calls	Locally developed. For optional use if desired.
IX	Delivery Tickets	Required. FAR 13.203-1
X	Invoices	Required. FAR 13.203-1
XI	Billing Period	Required. Navy Dept.
XII	Time and Place of Delivery/Performance of Services	Locally developed. For optional use.
XIII	Fast Payment Procedure	Required when calls may be subject to fast payment procedures.
XIV	Unpriced BPA Calls	Required when unpriced BPA calls may be placed.
XV	Delivery of Excess Quantities	Optional.
XVI	Clauses Incorporated by Reference	Required. FAR/D-FAR Part 13 in accordance with Notes appended.

Activities should ensure, as a minimum, all agreements issued subsequent to 1 April 1984 include all provisions listed above as required. The language contained in XIII and XIV should be included when circumstances dictate. Other optional use clauses may be used in order to ensure clarity with regard to rights and obligations of all parties to the agreements.

Source: NSC Charleston

Figure 6.4 Blanket Purchase Agreement Format, Page 1.



Insert full name,address and DIC of issuing activity.

TO BE SPECIFIED AT THE TIME OF EACH CALL

SAME AS BLOCK 14

Insert full name, address and DIC of receiving activity.

Insert full name, address and DIC of paying office

ACCOUNTING DATA TO BE INDICATED ON EACH CALL

I. Description of Agreement

This is a blanket purchase agreement for all products and/or services which the contractor may be in a position to deliver to the Government when requested by the contracting officer or his authorized personnel. This agreement shall remain in effect until terminated by either party.

II. Extent of Obligation

The Government is obligated under this blanket purchase agreement only to the extent of authorized calls actually placed against this agreement.

III. Pricing

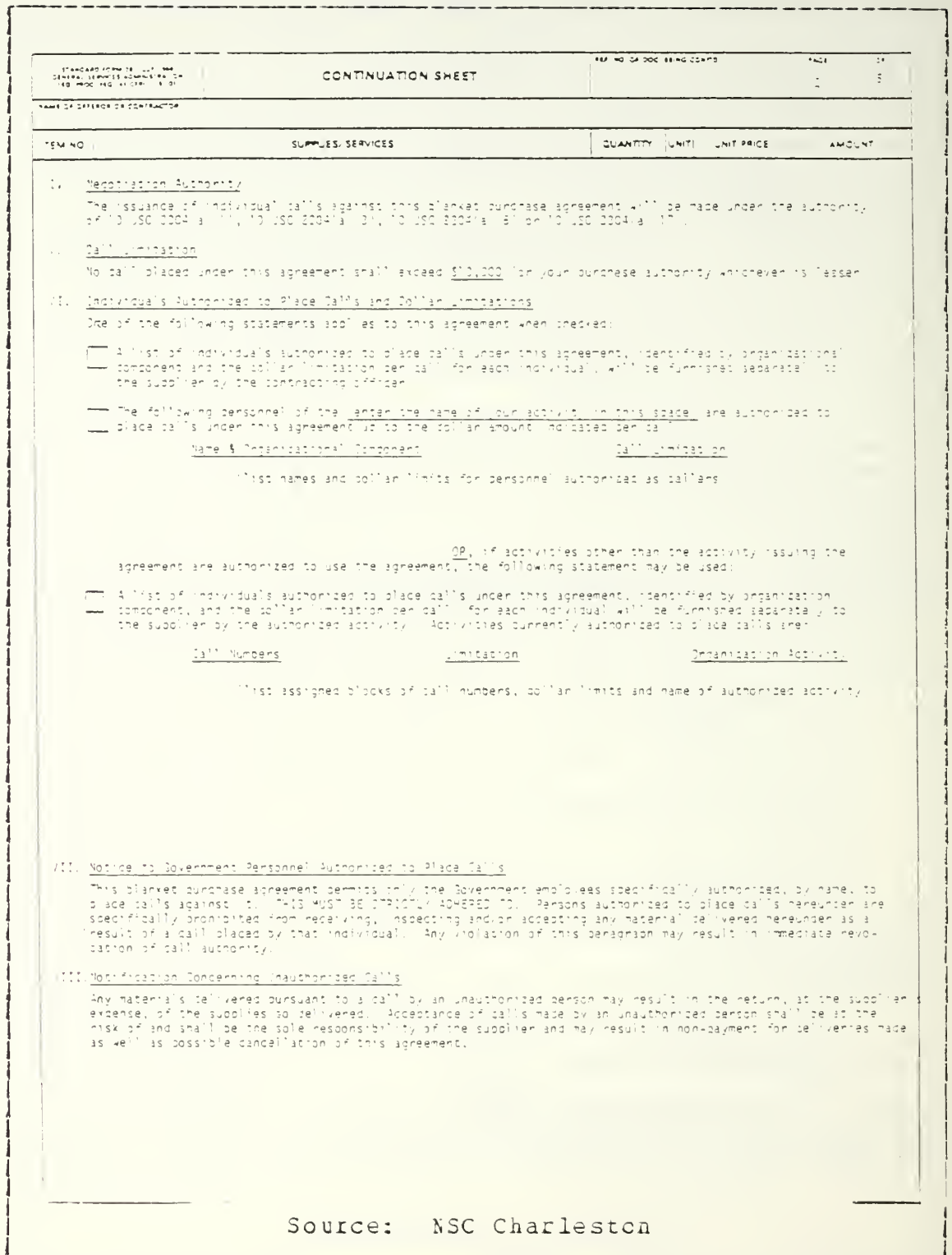
The prices to the Government for all purchases made under this agreement shall be as low as, or lower than, those charged the supplier's most favored customer in addition to any discounts for prompt payment.

DD FORM 1155

1

Source: NSC Charleston

Figure 6.5 Blanket Purchase Agreement Format, Page 2.



CONTINUATION SHEET

REF NO OF DOC BEING CONTD | PAGE 3 OF 5

NAME OF OFFEROR OR CONTRACTOR

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

I. Negotiation Authority

The issuance of individual calls against this blanket purchase agreement will be made under the authority of 10 USC 2304 a ( ), 10 USC 2304(a) ( ), 10 USC 2304(a) ( ) or 10 USC 2304(a) ( ).

II. Call Limitation

No call placed under this agreement shall exceed $10,000 (or your purchase authority whichever is lesser).

III. Individuals Authorized to Place Calls and Dollar Limitations

One of the following statements applies to this agreement when checked:

___ A list of individuals authorized to place calls under this agreement, identified by organizational component and the dollar limitation per call for each individual, will be furnished separately to the supplier by the contracting officer.

___ The following personnel of the (enter the name of your activity in this space) are authorized to ___ place calls under this agreement up to the dollar amount indicated per call:

Name & Organizational Component	Call Limitation
(List names and dollar limits for personnel authorized as callers)	

OR, if activities other than the activity issuing the agreement are authorized to use the agreement, the following statement may be used:

___ A list of individuals authorized to place calls under this agreement, identified by organization component, and the dollar limitation per call for each individual will be furnished separately to ___ the supplier by the authorized activity. Activities currently authorized to place calls are:

Call Numbers	Limitation	Organization Activity
(List assigned blocks of call numbers, dollar limits and name of authorized activity)		

IV. Notice to Government Personnel Authorized to Place Calls

This blanket purchase agreement permits only the Government employees specifically authorized, by name, to place calls against it. THIS MUST BE STRICTLY ADHERED TO. Persons authorized to place calls hereunder are specifically prohibited from receiving, inspecting and/or accepting any material delivered hereunder as a result of a call placed by that individual. Any violation of this paragraph may result in immediate revocation of call authority.

V. Notification Concerning Unauthorized Calls

Any materials delivered pursuant to a call by an unauthorized person may result in the return, at the supplier's expense, of the supplies so delivered. Acceptance of calls made by an unauthorized person shall be at the risk of and shall be the sole responsibility of the supplier and may result in non-payment for deliveries made as well as possible cancellation of this agreement.

Source: NSC Charleston

Figure 6.6 Blanket Purchase Agreement Format, Page 3.

STANDARD FORM 36 (REV. 10-83) GENERAL SERVICES ADMINISTRATION FPR (FPDC) 48 CFR (61) 53.213(f)	CONTINUATION SHEET	REFERENCE NO. OF DOCUMENT BEING CONTINUED	PAGE 3 OF 5

NAME OF OFFEROR OR CONTRACTOR

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

IX. Delivery Tickets

All shipments under this agreement shall be accompanied with delivery tickets or sales slips, in triplicate, which shall contain the following minimum information:

(i) Name of supplier.
(ii) BPA number.
(iii) Date of purchase.
(iv) Purchase number.
(v) Itemized list of supplies or services furnished.
(vi) Quantity, unit price, and extension of each item, less applicable discounts (unit prices and extensions need not be shown when incompatible with the use of automated systems, provided, that the invoice is itemized to show this information.)
(vii) Date of delivery or shipment.

Upon delivery, the receiving activity will retain one copy of the related delivery ticket and will sign the other two copies and return them to the supplier or his agent. One of these copies may subsequently be required to support the invoice.

X. Invoices

The contractor shall submit invoices, in quadruplicate, at least monthly or when the dollar value of all calls placed under this agreement equals the aggregate dollar amount specified, if any, in accordance with the method checked below. Invoices shall cover all deliveries made pursuant to the terms of the agreement during the specified billing period.

☐ Summary Invoice

A summary invoice shall be submitted at least monthly or upon expiration of this BPA, whichever occurs first, for all deliveries made during a billing period, identifying the delivery tickets covered therein, stating their total dollar value, and supported by receipted copies of the delivery tickets.

☐ Itemized Invoice

An itemized invoice shall be submitted at least monthly or upon expiration of this BPA, whichever occurs first, for all deliveries made during a billing period and for which payment has not been received. These invoices need not be supported by copies of delivery tickets.

☐ Individual Invoice

When billing procedures provide for an individual invoice for each delivery, these invoices shall be accumulated; provided, that -

(A) A consolidated payment will be made for each specified period; and
(B) The period of any discounts will commence on the final date of the billing period or on the date of receipt of invoices for all deliveries accepted during the billing period, whichever is later.

XI. Billing Period

The billing period for this blanket purchase agreement shall be the period beginning * and ending *.

*(Enter the dates indicating the period agreed upon with the supplier. If the billing period begins on the first of the month, enter: "...beginning the first of each month and ending on the last day of the month".)

XII. Time and Place of Delivery/Performance of Services

(a) The time of delivery/performance of services shall be established at the time each call is placed. All deliveries, except as provided in (b) or (c) below, shall be made F.O.B. Destination, all transportation charges paid by the supplier, to the destinations specified in the call.

(b) When it is deemed to be in the best interest of the Government, arrangements may be made at the time of the call for the Government to effect direct pickup of the material from the supplier's place of business. Under such circumstances, the supplier will be advised as to the name of the designated individual to whom he shall release the material.

(c) Material may be delivered F.O.B. supplier's plant, as specified in an individual call, with shipment to be made to destination(s) specified in each call at the supplier's expense subject to reimbursement. Under these circumstances, the transportation cost is to be shown on the same invoice as supplies are billed, but as a separate item. The contractor agrees to retain related transportation billings paid separately for a period of three years and to furnish such bills to the Government when requested for audit purposes. For information purposes only, the estimated shipping charges shall be specified at the time the call is placed.

NSN 7540-01-152-8067

Source: NSC Charleston

Figure 6.7 Blanket Purchase Agreement Format, Page 4.

STANDARD FORM 36 (Rev. 10-83) GENERAL SERVICES ADMINISTRATION FAR (48 CFR) 53.110	CONTINUATION SHEET	REFERENCE NO. OF DOCUMENT BEING CONTINUED	PAGE 4 OF 5

NAME OF OFFEROR OR CONTRACTOR

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

(XIII. Fast Payment Procedure

General provision 14 of the DD Form 1155r entitled 'Fast Payment Procedure' may be applied to individual calls placed under this agreement as specified at the time of each call. When Fast Payment procedures are utilized in connection with a call placed under this agreement, the following provisions apply:

A. Contractor is required to ship supplies transportation or postage prepaid;

B. Contractor is required to submit invoices directly to the finance or other office designated in the agreement (block 15 of the DD 1155) or, if the call is unpriced (see below), to the contracting officer; and

C. Contractor is required to mark outer containers "FAST PAY".

(XIV. Unpriced BPA Calls

Calls placed hereunder normally shall be firm fixed price orders. However, when agreed upon by the Government and the supplier, a call may be issued at a ceiling price which amount may not be exceeded except as specifically authorized by an authorized caller designated elsewhere in this agreement. In the event such an unpriced call is placed hereunder, the following provision shall apply:

NOTICE TO SUPPLIER - UNPRICED CALLS

Unpriced calls issued hereunder shall be considered firm orders ONLY if the final price does not exceed the amount agreed upon between the Government and the contractor at the time the call is placed. Submit invoices to the contracting officer or ordering officer who placed the call. If you cannot perform in exact accordance with the terms of the calls and this BPA, WITHHOLD PERFORMANCE and notify the contracting/ordering officer immediately, giving your quotation.

XV. Delivery of Excess Quantities

The following provision applies when calls are placed for supplies:

DELIVERY OF EXCESS QUANTITIES OF $100 OR LESS (FAR 52.212-10)(APR 1984)

The Contractor is responsible for the delivery of each item quantity within allowable variations, if any. If the Contractor delivers and the Government receives quantities of any item in excess of the quantity called for (after considering any allowable variation in quantity), such excess quantities will be treated as being delivered for the convenience of the Contractor. The Government may retain such excess quantities up to $100 in value without compensating the Contractor therefor, and the Contractor waives all right, title, or interest therein. Quantities in excess of $100 will, at the option of the Government, either be returned at the Contractor's expense or retained and paid for by the Government at the contract unit price.

XVI. Clauses Incorporated by Reference The following Federal Acquisition Regulation (FAR) or Defense Supplement (D-FAR) clauses are incorporated in this agreement by reference with the same force and effect as if set forth in full text. Upon request, the Contracting Officer will make their full text available. These clauses apply as appropriate in accordance with the 'Notes' set forth below:

FAR/D-FAR REF	TITLE	DATE	NOTE
D-FAR 52.232-7000	Invoices (replaces General Provision 3 of DD Form 1155r)	OCT 1982	1
FAR 52.222-40	Service Contract Act of 1965 - Contracts of $2,500 or Less	APR 1984	1
FAR 52.219-8	Utilization of Small Business and Disadvantaged Business Concerns	APR 1984	1
FAR 52.222-4	Contract Work Hours and Safety Standards Act -- Overtime Compensation - General	APR 1984	2 & 3
FAR 52.222-20	Walsh-Healey Public Contracts Act	APR 1984	4 (Supplies only)
FAR 52.222-26	Equal Opportunity	APR 1984	4
FAR 52.222-35	Affirmative Action for Special Disabled and Vietnam Era Veterans	APR 1984	4
FAR 52.222-36	Affirmative Action for Handicapped Workers	APR 1984	2 & 3
FAR 52.222-41	Service Contract Act of 1965	APR 1984	2 & 3 (Services only)

NSCC FORM 4170/1 (REV)

Source: NSC Charleston

Figure 6.8 Blanket Purchase Agreement Format, Page 5.

	CONTINUATION SHEET	REF NO OF DOC BEING CONTD	PAGE 5	OF 8

NAME OF OFFEROR OR CONTRACTOR

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

Notes for the clauses incorporated by reference as listed above. The clauses listed are automatically incorporated into this agreement in accordance with the following:

NOTE NO.	COMMENT
1	Clause applies to this agreement and to any call placed hereunder regardless of dollar value.
2	Clause applies to any call in excess of $2,500.
3	Clause applies to this agreement when the cumulative total of calls placed hereunder exceeds $2,500.
4	Clause applies to this agreement when the cumulative total of calls placed hereunder exceeds $10,000.

Source: NSC Charleston

Figure 6.9 Blanket Purchase Agreement Format, Page 6.

VII. COST/BENEFIT SUMMARY

A. INTRODUCTION

The principal intent of this effort is not to quantitatively define the costs and benefits of implementing the proposed training program. Rather, its intent is to identify costs and benefits, so that decision makers can attempt to rationalize training using their own judgements regarding costs and benefits. Implementing costs will be categorized as direct and indirect, and in some cases, they will be quantified. In large measure, the benefits that will accrue as a result of training have been discussed throughout this thesis, however, this section will attempt to bring together those benefits which have a significant financial impact. An examination of the benefits will also be made with regard to tangible versus intangible impacts. Lastly, this section will attempt to assign an estimate of total quantifiable implementation costs, and then utilize sensitivity analysis in order to determine an approximate break-even point with regard to expected costs and projected benefits.

B. SUBJECT PERSONNEL COSTS

The most obvious and most easily measured costs of implementing this program are those associated with the costs of the personnel undergoing the training. In consonance with Task Force 6, [Ref. 60], the researchers believe that intermediate level small purchase personnel should receive at least 120 hours of formal and informal training during their career progression within the GS-1105 and GS-1106 series. Once a satisfactory level of training has

been achieved, it is further believed that these personnel should receive at least 50 hours per year of continuing training and education to ensure that new subjects and areas of recurring difficulty are adequately covered. This training plan would as a result entail an average of approximately 70 hours of training per year. If one assumes a standard workyear of 2,080 productive hours of effort per employee, this recommended training would result in roughly 3.5% of the productive workyear being spent in training. While this may seem to be an excessively high percentage of time devoted to training, the researchers intend to show that the benefits that will result will make this level of effort more than worthwhile.

This effort is directed at intermediate level small purchase personnel within the Navy. As of the beginning of fiscal year 1983, there were 2,883 GS-1105 personnel of all grades within the DOI, and of these, 1,280 were in the Navy. The average grade level for GS-1105 personnel in the Navy is 5.8. GS-1106 personnel number 1,307 within the DON and have an average grade level of 4.8. [Ref. 61]. It is recognized that not all GS-1106 personnel are directly associated with small purchase, however it is felt that they should be included in any examination of small purchase personnel, as their primary duties are that of small purchase. Since this study is directed toward intermediate level small purchase personnel, an average paygrade of GS-6 will be utilized as an estimate of the average paygrade for intermediate level GS-1105 personnel. This average will offset the inclusion of entry-level personnel in the aggregate average grade level of 5.8. This average paygrade represents an average of the number of GS-4 through GS-7 level personnel in the Navy, in the GS-1105 series. The corresponding annual salary for a GS-6 step 5 is $17,479. The average grade level of intermediate level GS-1106 personnel in paygrades

GS-4 through GS-7 is at the GS-5 level, and has a corresponding annual salary of $15,681.

In order to simplify future calculations, a weighted average salary wage for the 1,280 GS-1105-6 and 1,307 GS-1106-5 personnel will be calculated. This will allow for a relatively accurate determination of aggregate personnel costs as long as the ratio of GS-1105s and GS-1106s remains fairly constant. The weighted average salary for these personnel is $16,570.63 per year, calculated as follows; The ratio of GS-1105 personnel to total small purchase personnel (1,280/2,587) times the average GS-1105 wage ($17,479) plus the ratio of GS-1106 personnel to total small purchase personnel (1,307/2,587) times the average GS-1106 wage ($15,681).

(1,280/2,587) X $17,479 + (1,307/2,587) X $15,681 = $16,571.

Using a 2,080 productive hour per year base, this would equate to a weighted average hourly wage of $7.97 per hour. The direct cost that would be associated with effectively removing 3.5% of the workforce from productive efforts would be the weighted average hourly salary for an intermediate level small purchase employee, times the recommended 70 hours of training, times the number of personnel affected. These calculations are shown below:

2,587 personnel X 70 hrs/person X $7.97/hr = $1,443,287

The above figure represents the cost associated with the "permanent" loss of 70 hours per employee, per year, due to this training. It must be noted, however, that these costs are sunk costs in that these personnel are already on the payroll. Their salaries would be paid regardless of whether they were in training, or were otherwise productively employed. The only incremental personnel costs that would result would be those associated with hiring additional personnel on a permanent or temporary basis to replace the

incumbents that are in training. Alternatively, if additional personnel were not hired, and the workload was absorbed by the remaining workforce without authorizing overtime, the effective direct personnel cost would be effectively zero. If, however, one assumed that the level of productivity of the remaining workforce did not allow the tasks of the personnel in training to be completed by others in the organization, and one assumed that the level of the workload did not change, overtime could also be authorized as a means to ensure that necessary work was completed. It should be noted, however, that one of the explicit objectives of increased training is to improve the efficiency and productivity of small purchase personnel. Hence, personnel resource requirements should be less than the number of personnel in training to offset the loss of those personnel absent due to training. Each of these options will be examined in greater detail below:

1. Additional Permanent Personnel Hired

(A) Direct Costs: If additional permanent staffing were obtained to mitigate the effect of 3.5% of the workforce being unavailable due to training requirements, the workforce would have to increase by slightly more than 3.6%, or 93 people, in order to retain the same base level of permanent employees working in productive endeavors as before the time that the training commenced. Again, assuming average grade levels of GS-1105-6 and GS-1106-5, and utilizing the weighted average salary described above, financial resources on the order of $1,541,103 would be required to employ these personnel. These figures are slightly higher than those representing the loss of 3.5% of the workforce as 10% of these newly hired personnel would be in training as well. Calculations are as follows:

93 persons X $16,571 = $1,541,103.

Were this the case, the figures given above would be fairly descriptive of the direct costs of their employment.

(B) Indirect Costs: Since permanent employees would be required, their wages would have to be accelerated in accordance with NAVCOMPT MANUAL 035030 to fully account for indirect compensation such as leave and fringe benefits. In this instance out of pocket costs would be $2,080,489, if one assumes an average wage factor acceleration of 35%, as illustrated below:

$1,541,103 X 1.35 = $2,080,489

It is recognized that ceiling points for additional personnel resources are difficult to obtain, however, this option is presented for consideration.

2. Temporary Hiring

(A) Direct Costs: If temporary personnel were hired to perform the duties of personnel in training, the financial impact would be significantly less. One would assume that temporary employees would be hired at grade levels lower than the incumbents for which they are employed to replace, probably at the entry level in the GS-1105 series which is GS-4 and which is GS-3 for GS-1106 personnel. These personnel would probably be hired at the lowest step, and their corresponding salaries would be $12,367 and $11,017 respectively per year.

(B) Indirect Costs: These personnel do not enjoy the same level of fringe benefits as permanent employees, and their base salary would only have to be accelerated by approximately 25% to accurately represent the indirect costs associated with their employment. Calculations to show the effect of temporary hires are illustrated below:

1,280 X $12,367 X 1.25 X 3.6% = $712,339
1,307 X $11,017 X 1.25 X 3.6% = $647,965

Total = $1,300,304

There may be additional costs associated with the probable decreased productivity of temporary hires, as they will require some time to assimilate into the workforce, and will not be as productive as their permanent counterparts. This use of temporary personnel will also result in increased turnover as well as an increase in the variable portion of hiring costs. There may be other financial impacts as well.

3. Authorization of Overtime:

(A) Direct Costs: If overtime is authorized in order to ensure that required work is completed, the costs would be somewhat higher than employing additional full time personnel, due to the overtime premium that must be paid to these personnel in addition to their normal hourly wages. If one assumes that each person would have to be authorized 70 hours of overtime per year, they would earn an average hourly overtime differential of 50% for each of these 70 hours. The cost of the overtime premium is shown below:

overtime	$7.97/hr X .5 X 70 hrs X 2,587 persons =	$ 721,644
normal	$7.97/hr X 70 hrs X 2,587 persons =	$1,443,287
	Total =	$2,164,931

(B) Indirect Costs: The use of overtime assumes that there are not any pre-existing nonproductive hours that could be utilized by these personnel, and that they will be able to perform at their normal level of productivity while working overtime. Both of these assumptions are suspect, as the average employee might not require the full 70 hours of overtime due to environmental factors within the workplace. Efficiencies such as those associated with not having to stop and restart their efforts would result, as would

others. On the other hand, studies have shown that productivity while working overtime is frequently less than that obtained during normal working hours.

The overtime premium acceleration for fringe benefits is significantly less than that accrued for normal working hours. The overtime portion of the wages need be accelerated by only 20% to recoup the indirect costs of fringe benefits and employee payroll taxes. The total cost of this alternative would be as illustrated below:

Normal hrs.	$1,443,287	X 1.35	= $1,948,437
Overtime premium	$ 721,644	X 1.20	= $ 865,972
		Total	= $2,814,409

4. Absorb the Workload Within the Organization:

(A) Direct Costs: Unfortunately it seems as if this is the most prevalent approach to solving manning problems endemic to the small purchase workplace. As the research has shown, there is a significant workload overburdening in small purchase divisions of the Navy, and this approach would be unsatisfactory from both a personnel utilization approach and in light of constantly competing priorities that face small purchase personnel. This option would only exacerbate the already severe problem of overloading these personnel, and the mission accomplishment of small purchase organizations would suffer as a consequence. Once the workload and staffing of small purchase personnel are correctly aligned, and productivity increases, it is anticipated that some of this additional workload could be absorbed within the organization with minimal impact. If this option were exercised, however, the direct personnel cost would be zero.

(B) Indirect Costs: There are myriad indirect costs associated with attempting to absorb the additional workload

with presently staffed small purchase organizations. The already low morale will dip even further as pressures and taskings increase, and turnover will increase correspondingly. Additionally, the backlog of purchasing actions in the queue will grow even larger, resulting in longer procurement action lead-times, or in some low priority procurements never being made. As the pressure on buyers to increase throughput increases, they will attempt to cut as many corners as possible, resulting in even poorer performance than at present.

C. TRAINING DEVELOPMENT COSTS

In addition to the personnel costs associated with small purchase personnel attending training, there would be other personnel costs involved in developing this training. Our effort has been to highlight the primary areas of training deficiencies that are most prevalent throughout small purchase organizations. There still remains the fairly significant task of actually developing a training guide for intermediate level small purchase personnel. There are numerous options that exist in relation to the tasking of the preparation of this training manual, including a thesis topic for another Naval Postgraduate School student, hiring a civilian contractor, or tasking another Federal Agency such as the Federal Acquisition Institute (FAI) with continuing this effort.

If a thesis student were to complete this effort, the cost would be fairly nominal as that person's efforts would be a sunk cost since this effort would fall within the purview of thesis research for the Postgraduate student. The only incremental costs would be those associated with travel and other research related costs. In the main, these costs would be insignificant. If a civilian contractor were tasked

with the preparation of a training manual, the cost would be much more significant. The most probable option would be to task FAI or some other Federal Agency with completion of this work. At present, FAI is working independently of this study to compile needed areas of training within the small purchase environment and to develop a training guide to meet those needs. If they utilize the findings of this study, the scope of their present tasking would decrease, as some of the ground that they had intended to cover is included herein. In this instance, as in the case of assigning this effort to a NPS thesis student, out of pocket costs would be nominal, since the FAI has already programmed personnel and financial resourses to this task.

D. TRAINING COSTS

If this or a similar program were implemented, there would be costs associated with actually conducting the recommended training. There would necessarily be a cadre of capable instructors to conduct the training, as well as to update and otherwise keep the training material current. It is a little more difficult to quantify these costs, since the structure within which this training would be conducted is extremely difficult to pre-determine. If dedicated instructors were hired to conduct the training, there would be a direct cost impact. If, however, this training were conducted in-house or with presently existing training resources, there would not be a significant cost impact. For the purpose of illustration, we will examine the choice of hiring additional personnel to travel to major installations to conduct a portion of the training. Liaison with the Army Logistics Management Center at Ft. Lee Va, indicates that a staff of two people would be required to implement,

coordinate and execute the desired training [Ref. 62]. Comparable personnel at Ft. Lee are at the GS-12 level, and command an average salary of $34,454 per year. If these salaries are accelerated in accordance with NAVCOMPT MANUAL 035030 to account for indirect costs, the total cost of this increased staffing of two persons would be $93,025 per year.

The most reasonable option would be for a large installation in each geographic concentration of small purchase personnel to be tasked with conducting the training once or twice a month. This would allow a relatively small percentage of the small purchase personnel from local commands to attend each time training is conducted so that the normal work flow is not completely disrupted and sufficient personnel are on hand to provide the required service. Therefore, major installations may find it necessary to hire additional personnel to conduct all or a portion of the training locally. It is felt that additional personnel would not be needed at the NAVSUP level, as sufficient resources appear to be in place to provide policy guidance and oversight.

E. TRAVEL COSTS

Travel costs associated with the implementation of this training program are difficult to forecast and quantify. There would obviously be some travel involved if training were conducted by a cadre of instructors that periodically visited each major installation. Personnel at smaller installations would also be required to travel to central locations to obtain the necessary training. If training were conducted in-house, however, there would be nominal travel costs associated with implementing this training. There are approximately 40 major small purchasing divisions within the Navy [Ref. 63]. If one were to assume that each of these

installations were visited an average of twice per year and provided two days of training, the travel cost for two persons from a relatively central location would total approximately $120,000. This is based on a trip of 4 days in duration, and an average trip length of 2,000 miles, and the assumption that several activities would be able to participate in training simultaneously. Reliable data are not available to accurately estimate the number of personnel that would be able to attend training of this manner on a no-cost basis. It is estimated, however that approximately 80% (2,000) of the small purchase personnel would be able to attend on a no-cost basis as a result of these sessions being conducted at major concentrations of small purchase personnel. If personnel from small commands were required to travel to larger installations to obtain training, an estimate of total costs for the remaining 500 people would be approximately $250,000.

Although these figures are broad estimates, they are presented to illustrate the potential upper limits of the cost of travel associated with implementing this program. The total costs therefore of implementing this alternative would be $370,000. A more reasonable assumption, as discussed above, would be for the largest activity in each region to conduct the training on a recurring basis. Any in-house personnel utilized to conduct this training may be required to perform some travel in order to participate in a training course specifically designed for in-house instruction of small purchase training.

F. PRINTING, DISTRIBUTION, AND OTHER CONSUMABLES COSTS

Liaison with the Government Printing Office indicates that the average printing cost for a training manual of this

nature would be approximately $.70 per copy for a training manual that is roughly 100 pages long [Ref. 64]. Assuming an initial distribution of two copies per small purchase employee, total printing and distribution costs for 5,200 copies would be approximately $3,640. There would also be some other less significant costs associated with the implementation of this training program, however, the cost of consumables and other miscellaneous supplies would probably be nominal.

G. SUMMARY OF COSTS

The primary intent of this rather cursory examination of costs is not to ascertain with any precise degree of certainty what the costs of implementing this program would be, rather the intent is to bring potential costs to light and to make seemingly reasonable estimates as to their value. It will be shown in the succeeding section through some elementary sensitivity analysis that even if these estimates are off by a factor of two, that the required percentage increase in productivity or favorable reduction in pricing would be very small in order to compensate for the costs. A summary of anticipated costs is presented below.

1. Subject Personnel Costs

   a. Loss of workforce due to training

      (1) Additional Personnel hired.

      ($2,080,489)

      (2) Temporary Hiring.

      ($1,360,304)

(3) Overtime.

($2,946,461)

(4) Abscription Of Work. Withir The Organization

(negligible)

2. Training Devlcrment Costs

(negligible)

3. Training Costs

($93,025)

4. Travel Costs

($370,000)

5. Printing and Distributicn Costs

($3,640)

H. PCTENTIAL BENEFITS

There are a myriad of pctential benefits that may accrue as a result of this training. This portion of the thesis will nct attempt to present a rigorous quantificatien of these benefits but rather will merely highlight thcse of significance. After outlining and discussing each cf these potential benefits, sensitivity analysis will be perfcrmed cn the present level cf small purchase expenditures in crder to determine the required increase in productivity cr price savings through more efficient purchasing that must take place in crder for this training to be justified frcm a cost-effectiveness viewpoint. The reader is cauticned, however, that many of these benefits will not surface directly on the " bottcm line", although they will in every case have an impact upon purchasing efficiency.

1. Tangible Benefits

a. The most clearly seen benefit of this training would be increased efficiency on the part of small purchase personnel. If small purchase personnel perform their duties in a more efficient manner, fewer personnel resources should be required. The impact of improved efficiency will be difficult to measure, however, as it is commonly felt that small purchase personnel are presently overburdened. As previously mentioned, there is increasing public and Congressional furor regarding charges of spare parts overpayments by the DOD to Defense contractors, and a significant portion of the spare parts procurements in the Navy/DOD are performed by small purchase personnel. If small purchase personnel receive improved training the incidence of spare parts overpricing, real or imaginary, should decrease.

b. Prices paid by the Government for goods and services should decrease in constant dollars. The crux of any analysis of purchasing must be upon obtaining the right material, at the right price, at the right location. As small purchase personnel become more skilled in their duties, they will presumably be better equipped to negotiate prices and conditions that are more favorable to the Government. Elementary tools and skills such as cost and price analysis, as well as a general business sense, should better enable small purchase personnel to obtain fair and reasonable prices. This area probably has the most potential for payoff since a general reduction in relative prices of only one percent of the over $3.5 billion spent by the Navy last year in small purchase [Ref. 65], would result in savings of over $35,000,000 per year. An increased level of price reductions would make these savings even more dramatic.

c. Public and Congressional attention on small purchase should decrease as they realize that the small purchase function within the Navy/DOD is being conducted in an effective and efficient manner. The present level of attention by public bodies is probably well deserved and is productive in that it has forced Defense Agencies to focus on the small purchase function and to attempt to improve on it. As these improvements are made, public focus will shift to other areas thus allowing productive effort to be directed at executing the small purchase function rather than at defending it's practices, policies, and existence.

2. Intangible Benefits

a. Greater professionalism should result from improved training. As discussed previously in this research paper, low morale is endemic throughout most Navy small purchase organizations. One of the factors that has contributed to this low morale and to low self-esteem within the GS-1105/6 ranks is the perceived lack of professionalism within the small purchase structure. This perceived lack of professionalism is apparent in the literature and is evidenced in interviews with small purchase personnel and their supervisors. If an effective training program were implemented, the morale and self-esteem of small purchase personnel would undoubtedly increase, as would the general perception of professionalism within small purchase. This increase in morale would probably decrease the turnover and attrition rates within the ranks of small purchase, and would also tend to have a positive effect upon the productivity of these personnel.

b. Improved execution of mandated socio-economic programs should result from improved training. An important, yet intangible impact of increased training would be improved implementation of previously discussed

socio-economic programs directed by the Congress. Small purchase is an important vehicle by which the Congress and Federal Agencies implement socio-economic programs. If small purchase personnel are better trained and better understand their role in the process, they will be better able to execute these programs. As pointed out in the researchers' discussion of major problem areas, competition and Small Business set-asides are two specific socio-economic programs that have not been implemented as effectively as desired. As a result of this training, one could expect that small purchase personnel may increase the incidence of competitive procurements and increase their utilization of Small and Disadvantaged businesses.

c. Marked improvement in the areas of responsiveness to and improved readiness of operational units should result from improved training. As buyers become more professional and more proficient, they will better be able to meet the ever burgeoning needs of their customers. Increased productivity and a better awareness of the meaning and effect of priorities will not only allow customers to allocate fewer financial and personnel resources to small purchase, but will also result in shorter procurement action leadtimes for customers. This may also allow stocking activities to adjust inventory ordering models and reduce the need to carry present levels of inventory, thus reducing carrying costs.

d. Improvements to the professional base from which to draw entrants into the GS-1102 series should result from improved training. At present, the level of expertise that is displayed by GS-1105/6 personnel that transfer to the GS-1102 series is significantly less than desired [Ref. 66]. This results in an inordinate amount of training in order to make former GS-1105/6 employees productive members of the GS-1102 workforce. If intermediate level small purchase

personnel are better trained, the transition from GS-1105/6 to GS-1102 will be much easier and will encourage both communities to promote fertilization of the GS-1102 series from the GS-1105/6 series. As a result of the threshold for small purchase being increased to $25,000, many of the concepts of small purchase are equally applicable to contracting as well, indicating that properly trained GS-1105/6 personnel should have less difficulty making the transition to GS-1102.

I. ANALYSIS

It is not within the scope of this research effort to rigorously quantify the costs and benefits of implementing a proposed training program for intermediate level small purchase personnel. There is a feeling at many levels of purchasing management that the present state of training in small purchase is so deficient that even a training program of much greater magnitude than the one that these researchers propose would be cost effective. Executive Order 12352 does not address the financial impact of improving the procurement workforce, rather it focuses solely upon required reforms. It is important, however, in a general sense to have some appreciation for the expected cost of implementing this or a similar program, in order to determine if further cost analysis is warranted. Although the cost analysis presented above is not quantitatively precise, the researcher's contend that the order of magnitude of these costs is a fairly accurate indicator of anticipated costs. At every juncture throughout, the researchers have chosen to be conservative and thus demonstrate the greatest potential cost of each option. The following data provide a range of optimistic and pessimistic estimates that will allow the reader to ascertain a reasonable estimate of

costs under varying assumptions. If one were to assume that each of the most costly options were to transpire, the total cost of implementing a program of this nature would be as follows:

	Low	High
Subject Personnel Costs -	$ 0	$2,597,916
Training Development Costs-	negligible	
Training costs -	$ 0	$ 93,025
Travel costs -	$200,000	$ 320,000
Printing and other costs -	$ 3640	$ 3,640
Total costs	$203,640	$3,014,581

As stated, it is felt that the above estimates are a reasonable broad estimate of the costs of implementing small purchase training. Even if these research estimates were in error by a factor of two, the total projected cost for the Navy to implement this training would approximately $6 million. These assumptions serve to establish a rough base-line against which to measure expected costs. Since all of the assumptions regarding costs were purposely made with the expectation of the most costly option being exercised, there is ample room for these estimates of costs to be reduced.

In order for the Navy to recapture its investment in training from a purely financial aspect, small purchase personnel would have to effect an average cost savings of less than one tenth of one percent of total small purchase expenditures. The above efficiencies represent a fairly small incremental decrease in prices paid, and do not take any of the many intangible benefits cited above into account. If small purchase personnel were able to achieve an overall average reduction in prices of one percent, savings, after subtracting training costs, on the order of $32,000,000 would accrue.

If some of the less costly options discussed above were in fact exercised, the potential payback point of this investment would be reduced significantly. For example, if the Navy chose to (1) hire 93 additional full-time employees, (2) task the FAI with completion of the training guide, and (3) perform most of the training in-house, the cost would only be only slightly more than $2 million.

J. SUMMARY

This examination of potential costs and benefits has been fairly cursory, however, it has accomplished its primary purpose of establishing a resonable range of estimates regarding the projected costs of implementing a small purchase training program. The objective has been to show that the required investment in terms of financial resources is fairly nominal in order to potentially attain an extremely high degree of tangible and intangible benefits. There are obviously a lot of alternative methods to approach utilizing and implementing the mandated training, and it is recognized that options such as increasing the number of ceiling points is a difficult endeavor at best. This problem is exacerbated by the need to obtain additional ceiling points for other reasons besides affording increased opportunities for training. It is critical however to establish financial and personnel needs so that the necessary resources can be requested and possibly obtained.

An important, but frequently overlooked point is that a reasonable estimate of the costs must be derived. All too often, Government programs are executed without even a cursory attempt to quantify the costs and benefits that will result. In this case, it is felt that the magnitude of the training costs is so small that the training is warranted from a cost-effectiveness standpoint. The relatively nominal

funding requirements of this program, as a percentage of small purchase expenditures, (albeit $2 to $3 million), requires a very small incremental increase in pricing effectiveness to recoup costs. For example, if small purchase personnel were able to negotiate a price decrease of $1 for every $1,000 that they spend, the Navy would have recouped all of its training costs. Additionally, a myriad of other benefits besides reductions in prices paid can result as well.

VIII. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

1. Lack of an effective career development program for small purchase personnel has negatively impacted upon performance in the field. The views of buyers and supervisory personnel expressed in Chapter III support this contention. Further, a number of practical manifestations can be directly related to the systemic failure to provide some clear career opportunities for those interested in remaining in small purchase. These manifestations, as detailed in Chapter III, include confusion regarding job definition, high turnover rates, attitude and morale problems, avoidance of responsibility, and reduced incentive to participate in further training.

2. Current efforts to revitalize small purchase career development programs are a step in the right direction, but leave some basic questions unanswered. Task Group 6 recommendations and actions, presented in Chapter III, properly address many of the correct objectives for any successful professional development program. Occupational standards are being rewritten, and specific training guidelines are being established. Properly, the researchers believe, these efforts are being founded upon surveys of the buyers and supervisors themselves.

3. A distinct and complete career development program should be provided for those personnel who wish to remain in the 1105 and 1106 series. Training and professional recognition of the 1105 and 1106 series should not be based upon an assumed desire to transition to the 1102 series.

Each enhancement to small purchase career development programs must be filtered down to every level of the small purchase hierarchy. This will require a serious reevaluation of work loads and manning levels in many small purchase shops. Buyers and supervisors must be allowed to participate in the development of all programs.

4. Significant weaknesses exist in small purchase organizational structure and practice which must be addressed if any training program is to be successfully implemented. Small purchase buyers and supervisors are virtually unanimous in their agreement that is impossible to separate the quality of the working environment from the perceived need and desire for training.

Specific conclusions, supported by the discussion in Chapter IV, may be made as follows:

a. The functional distinctions between procurement series are unclear and personnel, as a result, are often improperly assigned.

b. In many activities, the buying function is not organized in a manner conducive to efficient use and development of personnel.

c. Many activities have failed to provide small purchase with necessary publications and reference materials.

d. No effective program currently exists to keep small purchase personnel abreast of the latest legislation, regulation, and direction. No effort is made, on the whole, to translate this information into terms that are understandable and useful to personnel in the field.

e. Organizational goals and priorities for small purchase are not made clear to small purchase personnel. Stated concerns and objectives often exhibit very little stability.

f. Performance evaluation systems for small purchase personnel are totally inadequate as they now exist. Too much emphasis is placed upon volume of effort without recognizing the varying natures and complexities of tasks performed.

g. Very few organized systems exist to provide positive recognition to small purchase buyers and supervisors.

h. Inadequate clerical support has degraded small purchase performance at many activities. Procurement Administrative Lead Times (PALT) have been directly affected.

i. Small purchase supervisory personnel generally fail to provide the kind of support necessary to effective performance and training.

j. Most procurement activities need to earnestly reevaluate their existing systems of internal and external communications. In general, effective feedback mechanisms do not exist to enable evaluation and improvement of supervisory and training efforts.

k. Professional and organizational deficiencies have resulted in a shift away from a service-oriented attitude on the part of many small purchase personnel.

l. Existing training programs in the field of small purchase are generally inadequate.

5. Many of the most chronic Contract Management Review (CMR) discrepancies related to the small purchase function could be eliminated by improving performance in a limited number of subject areas. These areas are identified in Chapter V. The basic nature of these areas is supported both by CMR detailed and summary reports, and by the expressed concerns of small purchase personnel. Causes and basic solutions addressed in Chapter V should, the researchers believe, form the nucleus of a refresher course for small purchase buyers and supervisors.

6. An intermediate level small purchase training program need be develcped that is succinct, clearly fccused upon regulations and directives as they pertain tc small purchase, and consistent in its approach. During interviews in the field, small purchase personnel almost unanimcusly desire a practical training guide that not only details "how to," but also addresses the "why." Training in the 12 subject areas discussed in Chapter V represent the majcrity cf recurring CMR discrepancies, and are those most desired by small purchase personnel and thier supervisors. This research has found that small purchase perscnnel are more ccmmitted to the supprt of policies and procedures if they are aware of the origins and impacts of these policies and procedures.

7. The cost of implementing an effective and comprehensive training prcgram for small purchase perscnnel is miniscule ccmpared to the dollar value of transactions that they process, and the pctential benefits to be gained. Based upon a ccst/benefit aralysis of a training prcgram fcr small purchase personnel, it can be concluded that through a wide range cf pessimistic estimates, the cost of implementing training by any one cf several methods is nominal. If training is conducted on a continuous basis, the pctential benefits will far outweigh the costs.

E. RECOMMENDATIONS FCR UPPER ECHELONS

1. Press forward to meet all legally mandated gcals for small purchase prcfessional development to include the continuing recommendations of Task Group 6. The pclicy objectives enunciated by Task Group 6, and those propcsed by the researchers in Chapter III, will form a solid foundation for imprcvement.

2. Take every action necessary to ensure that the improvements achieved in professional development are reflected at each level of the procurement hierarchy. This will include comprehensive revision of position descriptions, reassessment of task assignments, adjustment of manning levels, and reevaluation of training needs at the buyer level. Buyers and supervisory personnel should be actively involved in program design and implementation.

3. Develop and implement a separate and distinct career development program for small purchase personnel who wish to remain in small purchase. Include in this development program a dedicated training plan which addresses the needs of career small purchase buyers and supervisors. In order for such a program to be successful, it is further recommended that concurrent steps be taken to address the following problem areas:

a. The appearance of organizational preference for the 1102 series.

b. Intense work loads.

c. Volume-related performance measures (this will be the subject of a separate recommendation).

d. Turnover rates.

e. Morale problems.

f. Professional recognition.

4. Develop and promulgate updated Classification and Qualification Standards for the small purchase series. Use these standards to revise position descriptions and job assignments at all procurement activities. This must be the first step in establishing small purchase as a distinct professional community.

5. Specify the currently operative references for small purchase. FAR implementation has resulted in uncertainty as to the viability of many traditional sources of information and guidance. The status of NAVSUP P-467, in particular, requires immediate clarification.

6. Develop and promulgate a uniform training course on FAR familiarization for small purchase personnel. This training should be mandatory for buyers, supervisors, and managers, and should be implemented as soon as possible.

7. Produce and distribute summaries of the latest legislation and regulation applicable to small purchase. Summaries should be easily understood at the functional level, and should be made available on a regular basis.

8. Develop a standard performance appraisal system to be used by all activities in evaluating the performance of small purchase personnel. This system should not rely exclusively on traditional measures of efficiency, but should incorporate a recognition of the kinds of tasks being performed, as well as the quality of individual performance.

9. Sponsor a formal recognition program for outstanding small purchase personnel and activities. Such a program could also be used as a vehicle to disseminate innovative ideas.

10. Develop a comprehensive training guide for small purchase personnel that includes, as a minimum, the following basic subject areas:

a. Requirements Determination.
b. Purchasing Methods.
c. BPA Use and Administration.
d. Purchase Order Use.
e. Documentation.
f. Determination of Fair and Reasonable Price.
g. Competition.
h. Small Business Set Asides and Other Programs.
i. Accounting Data and Appropriations,
j. Imprest Fund.
k. ADP Procurement.
l. Prioritization of Procurements. This program should be prepared at a central level and distributed to field activities to adapt to their specific needs.

11. A central authority should be tasked with the coordination, and updating of a small purchase training guide. This authority should periodically review the needs of field level personnel, and should update the training guide on at least an annual basis so that it does not fall into disuse due to a lack of currency.

12. Develop a standard format similar to the one proposed that includes the following key elements:

a. Subject Area.
b. Definitions.
c. Governing Rules and Regulations.
d. Rationale and Reasons for Procedures.
e. Common Problems and Discrepancies.
f. Suggested Solutions.
g. Training Materials and Recommended Guides.

13. Pursue adequate financial resources to fully implement any training program that is undertaken. While it is recognized that personnel and financial resources are scarce, the benefits that will accrue will far outweigh the costs.

14. Establish a means to quantify the benefits that accrue as a result of improved and intensified training. A means to quantify benefits in this area will facilitate determining if future training should be conducted, and will provide justification for additional resources if benefits exceed the costs as expected.

C. RECOMMENDATIONS FOR PROCUREMENT ACTIVITIES

1. Activities should be encouraged to rationally evaluate the organization of the buying function. This evaluation should be designed to determine if current schemes facilitate:

a. Effective utilization of existing expertise.

b. Training through regular assignment rotation, where possible.

c. Professional development through exposure to tasks of varying difficulty.

d. Maximum opportunity for buyers to become familiar with sources and products.

Once an effective scheme is instituted, it should remain stable as long as practically possible.

2. All procurement activities should determine what publications and reference materials are needed by small purchase personnel, and take steps to provide these items. Once these materials are obtained, further steps should be taken to instruct personnel in their content and proper use.

3. All procurement activities should provide small purchase buyers and supervisors with some form of exposure to current legislation, regulation, and local guidance related to small purchase. The researchers recommend that personnel be required to maintain a current file of this material, and that regular instruction be conducted to distill it into operational terms.

4. Procurement organizations should establish an explicit set of goals and priorities for small purchase. These should be publicized, perhaps in the form of a policy statement, and copies made available to all buyers, supervisors, and managers. Operational policies and practices, as will as performance evaluation systems, should be reviewed to ensure conformity with established goals and priorities. Every effort should be made to make this structure stable.

5. Activities should establish a formal performance recognition program for small purchase buyers and supervisors. Such a program should be designed at the local level to reward superior performance, and to call attention to innovative techniques and practices which may be beneficial throughout the activity. As a minimum, recognition programs

should employ appropriate publicity and documentation in personnel records.

6. Steps must be taken to scrutinize and, where necessary and possible, reorganize the clerical support function to provide adequate service to small purchase. If practical, a separate typing pool should be established for small purchase and placed in the appropriate administrative chain of command. Where this is not possible, efforts must be made to dedicate clerical personnel, or to establish some objective method of scheduling work.

7. Activities should strive to improve the quality and scope of supervisory support to small purchase buyers. This may be facilitated by minimizing, where possible, the actual buying responsibilities assigned to supervisors. Supervisors should be encouraged to become more actively involved in screening incoming material, counseling, training, and supporting the efforts of the buyers. The researchers further recommend that supervisors receive training both in general management and small purchase support techniques. Finally, supervisors' evaluations should be based primarily upon the effectiveness of the support that they provide.

8. Activities should rigorously evaluate the effectiveness of existing systems of internal and external communications. This evaluation should include assessments of :

a. The effectiveness of feedback mechanisms between buyers, supervisors, and managers.

b. The ability to translate inspection, audit, and review results into terms meaningful to individual buyers.

c. The ability to communicate organizational goals and priorities.

d. The reliability of external communications systems.

Additionally, it is recommended that each activity institute a program of scheduled buyer meetings with vendors and with representatives of major customer commands. Buyers should be encouraged to attain a first-hand knowledge of vendor personnel and products, consistent with regulation. Finally, an appreciation of customer responsibilities and constraints can greatly reduce the number of future misunderstandings.

9. Activities should stress customer service as the guiding principle in all small purchase endeavors. The researchers recommend promulgation of a policy statement similar to that found in Appendix A, which has been used successfully by several activities. Customers of various sizes should be regularly interviewed to gather impressions of the buying function.

10. Activities should critically evaluate current training needs and existing programs. Where necessary, training programs should be redesigned to include modularized training material, formally scheduled training, and dedicated training time. Small purchase buyers and supervisors should be required to undergo periodic training of the type described in this report. Activities must ensure that standardized training materials are tailored to the needs of local buyers and supervisors.

D. SUMMARY OF ANSWERS TO RESEARCH QUESTIONS

Question #1. What are the current training shortcomings as viewed by the Commander, Naval Supply Systems Command (NAVSUP) staff, field level supervisors within the small purchase system, and small purchase personnel themselves?

Training shortcomings have been identified related to both the availability and content of existing programs. The

cnly standardized small purchase program currently available in DCI is purely entry-level oriented and perceived to be untimely and hard tc use. No specific program exists to provide follow-on or refresher training for small purchase perscnnel. Training in the field appears to be irregular and narrcwly directed.

Iccally administered small purchase training content does not emphasize the primary areas of difficulty experienced by small purchase perscnnel. This training does not attempt to acquaint the buyer or supervisor with the reascns for particular procedural requirements, or the potential consequences associated with non-compliance. Buyers and supervisors are not routinely exposed to training directed to actual discrepancies cited in CMR reports, nor are specific sclutions suggested.

Question #2. What follow-on or advanced training for small purchase personnel is desired by the Commander, Naval Supply Systems Command staff, field supervisors, and intermediate level small purchase personnel?

Responsible officials at all levels of the chain of command desire a training program which will accomplish the follcwing basic objectives:

a. Facilitate the provision of better service.

b. Reduce reported performance discrepancies.

c. Increase the sense of professionalism and job satisfaction for small purchase perscnnel.

The research, as presented, indicates that all perscnnel desire a ccmprehensive program of small purchase training which directly addresses the shortcomings cited in the answer tc Question #1. Buyers and supervisors, especially, desire ar cngoing refresher program that provides instruction related to specific problem areas. The researchers have identified these areas in Chapter V, and have delineated specific problems, causes, and recommended sclutions.

Question #3. What small purchase training programs presently exist for small purchase personnel at the basic or entry level, and at more advanced levels?

The only entry-level program for small purchase currently existing within DOD is developed and administered at Ft. Lee, Virginia by the Army Logistics Management Center (ALMC). Because of previously described problems with this basic course, many activities have conducted extensive tailoring efforts suited to activity needs. All of these programs, however, are thoroughly based in the ALMC program, and are essentially entry-level in nature.

As stated, no intermediate or advanced courses dedicated to small purchase currently exist. Attempts to conduct refresher training, to date, consist of reapplication of the basic materials. Some local efforts are noted, but no comprehensive program exists.

Question #4. What is the current level of formal training of intermediate level small purchase personnel in the Department of the Navy, and what are the sources of training that do exist?

As cited in Chapter IV, the research indicates that nearly 20% of the personnel working in Navy small purchase organizations have not had formal entry-level training. It is difficult, if not impossible, to estimate the current level of training of intermediate personnel, due to the absence of any standardized training targeted to this group. The researchers observed, or received reports, of training programs of widely varying degrees of sophistication.

Available training is obtained through informal instruction, formal group instruction, written guidance, and self study. Training formats range from scheduled time to spontaneous reactions to emerging problems. In all cases, training beyond the basic level is dependent upon the

material and personnel resources of the individual activities, and upon local training policies.

Question #5. What other sources of training exist and are available at the field level for field small purchase personnel?

Few suitable sources of training exist at the field level for field small purchase personnel. There is very little sharing of innovative information between activities concerning small purchase training, and non-DOD resources are rarely utilized. Beyond whatever degree of organizational training is available at the individual activity, the buyer or supervisor must primarily rely on inter-personal instruction.

No existing source, the researchers have concluded, addresses the specific subject areas that are the source of most CMR discrepancies. No existing source establishes a perspective on the system that buyers and supervisors both appear to desire.

Question #6. What training is currently required for career development of small purchase personnel at the intermediate level?

a. Who is responsible for conducting this training?
b. Is this training utilized?
c. Is this training adequate?

Career development programs and derivative training were the subject of Chapter III. The researchers conclude that viable career planning and training programs for small purchase are still in the formative stages in the Navy. General policy and training requirements guidelines have been announced, but data is still being gathered to support specific training programs. Responsibility for training has not been clearly identified, nor has the program content. The material presented in this report is largely intended to

contribute to the effort of definitizing these training programs and requirements. It may be concluded, at this time, that adequate training is not available to be utilized.

Question #7. What other factors, if any, influence the success of training for small purchase personnel?

The research has shown quite clearly that many internal and external factors influence training in small purchase, and do so in a dramatic way. So strong is the influence, in fact, that the evidence presented in Chapters III and IV indicates that weaknesses in professional career development and organizational structure must be addressed before any training program may be successfully conducted. While the individual factors vary from activity to activity, the weaknesses identified in Chapters III and IV appear to be pervasive enough to warrant an earnest self-evaluation by every activity with small purchase responsibilities.

Question #8. What are the costs associated with implementing the proposed training program?

The costs associated with implementing the training program proposed by this research will vary depending upon the method, scope, and schedule of implementation. General cost categories and a basic cost/benefit analysis are presented in Chapter VII. This analysis reveals, without question, that the benefits associated with such a program far outweigh the costs.

E. AREAS FOR FURTHER RESEARCH

Research conducted for this report has provided the basis for further study and action in the following areas:

1. The development of training guide material for the remaining subject areas not specifically dealt with in this report.

2. The development of an effective performance appraisal system for small purchase buyers and supervisors of the type recommended in Chapter IV.

3. The development of an implementation plan for the training proposed in this report.

4. An examination of feasible methods that may be employed to reduce work loads in small purchase shops.

5. The development of an objective means of quantifying the expected savings resulting from the proposed training program.

APPENDIX A

CUSTOMER SERVICE POLICY STATEMENT

Source: NRCC Long Beach

PROMEMO A2
PD:RFM:fan
15 June 1983

NRCC PURCHASE DIVISION PROCEDURAL MEMORANDUM A2

From: Code PD

To: All PD Personnel

Subj: Ten Commandments of Good Customer Relations

1. Our customers are the most important people to enter our establishment whether in person, by mail, or by telephone.

2. Our customers are people who desire our service -- it is our job to give that service in such a way that mutual benefit and satisfaction result.

3. Our customers are not dependent on us -- on the contrary, we are dependent on them.

4. Our customers are not an interruption of our work -- they are the purpose of it.

5. Our customers are not outsiders in our work -- they are a part of it.

6. Our customers are not cold statistics -- they are flesh and blood human beings with feelings and emotions like our own.

7. Our customers are not people to argue or match wits with -- arguments are won only by avoiding them.

8. Our customers, whether belligerent or irritating, humble or appealing, always have a genuine right to receive prompt and courteous service.

9. Our customers do us a favor by giving us an opportunity to serve them -- we are not doing them a favor by servicing them.

10. Our customers expect only what we ourselves expect from those who have elected to serve others -- service -- with a minimum of delay in a helpful, courteous, and efficient manner.

Reprint from NSC Oakland Whittler June 1975.

R. F. MATSUSHIMA

Distribution:
All PD Personnel

APPENDIX B
PERSONNEL SUMMARY

Summary of GS-1105 and GS-1106 personnel in the Department of the Navy

Grade Level	GS-1105	GS-1106
GS-2	1	0
GS-3	1	128
GS-4	133	498
GS-5	439	374
GS-6	375	142
GS-7	252	135
GS-8	37	14
GS-9	31	11
GS-10	5	2
GS-11	2	0
GS-12	1	2
Totals	1280	1307
Average Grade:	5.8	4.8
Median Grade:	5	4

Source: Report on the Federal Acquisition Workforce Through FY 1982

APPENDIX C
INTERVIEW QUESTIONS

The following Questions were asked during interviews conducted during the course of the research.

A. CURRENT PROBLEMS

1. What performance weaknesses are consistently cited during CMRs?
2. What are the causes of the weaknesses that recur during CMRs?
3. What specific training shortcomings are noted by small purchase supervisors?
4. What do supervisors attribute to the cause of these shortcomings?
5. What are the current training and performance problems as seen by small purchase personnel themselves?
6. What are the areas in which small purchase personnel feel training is inadequate?
7. Is career development suffering as a result of these perceived inadequacies in training?
8. What organizational problems exist that hinder small purchase?

B. TRAINING

1. What current training programs are currently available?
   a. What personnel are these training programs primarily aimed at?

b. What level of experience do these training programs presume?

c. Are these programs general or do they address specific areas of training?

2. Is this training offered and/or conducted?

3. If the above training is not being offered, why isn't it being offered?

a. Is it due to a lack of awareness?

b. Is it due to time constraints?

c. Is it due to the cost of the training?

d. is it due to a lack of relevance?

4. Who is responsible for this training?

5. Why do problems persist despite available training?

6. What training is necessary for career development?

7. What are the other Defense Agencies doing to address the problems discussed above?

8. What locally developed programs are available to meet these training needs?

C. TRAINING REQUIREMENTS

1. What specific areas of weakness should training address?

2. What form should this training take?

3. At what point in the career pattern of small purchase personnel should this training take place, and how often should it take place?

4. What personnel should be involved in this training?

5. What level of knowledge should this training presume?

D. BASICS

1. What are the specific weaknesses in performance?

2. Can these shortcomings be corrected by training?

3. What training is available and why doesn't it work?

4. Can presently available training meet the needs of small purchase personnel?

5. What specific areas of weakness should be addressed in a new training course?

6. How should a new training course be conducted?

7. What are the probable costs associated with conducting a training course of the proposed nature?

8. What effect would this training have on the throughput and effectiveness of small purchase personnel?

9. Do you have the time necessary to support a comprehensive training program?

APPENDIX D
LIST OF ACRONYMS AND ABBREVIATIONS

ADP	Automated Data Processing
ALMC	Army Logistics Management Center
BPA	Blanket Purchase Agreement
CBD	Commerce Business Daily
CMR	Contract Management Review
DAR	Defense Acquisition Regulation
DD Form	Department of Defense Form
DLA	Defense Logistics Agency
DLSIE	Defense Logistics Information Exchange
DOD	Department of Defense
DON	Department of the Navy
DTIC	Defense Technical Information Center
FAI	Federal Acquisition Institute
FAR	Federal Acquisition Regulation
FSS	Federal Supply Schedule
GS	Government Service
GSA	General Services Administration
NAVCOMPT	Comptroller of the Navy
NAVMAT	Naval Material Command
NAVSUP	Naval Supply Systems Command
OFPP	Office of Federal Procurement Policy
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
P-	Publication (followed by number)
PALT	Procurement Administrative Lead Time
PD	Position Description
PL	Public Law
R.S.	Revised Statutes
SF	Standard Form

SUPP	Supplement
UMMIPS	Uniform Material Movement and Issue Priority System
USAF	United States Air Force
U.S.C.	United States Code

APPENDIX E
LIST OF INTERVIEWS

Adkins, P., Small Purchase Buyer, Naval Supply Center, Norfolk, Va., 16 March 1984 (Personal).

Afone, Mr., Procurement Analyst, Field Management Division, Navy Regional Contracting Center, Philadelphia Pa., 12 March 1984 (Telephone).

Anderson, Mr., Finarcial Management Division, Government Printing Office, 22 May 1984 (Telephone).

Anderson, Mrs., Small Purchase Division Director, Navy Regional Contracting Center, Washington D.C , 13 March 1984 (Telephone).

Brown, B., Federal Acquisition Institute, Washington D.C., 14 March 1984 (Personal).

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McDowell, W., Senior Procurement Analyst, Field Management Division, Naval Supply Center, Charleston, S.C., 12 March 1984 (Telephone).

McFarland, R., Small Purchase Buyer, Navy Regional Contracting Center, Long Beach, Ca., 29 March 1984 (Personal).

Scheffer, S., Lt., Director of Small Purchase, Naval Supply Center, Norfolk, Va., 16 March 1984 (Personal).

Shaw, E., Budget Officer, Naval Postgraduate School, Monterey, Ca., 22 May 1984 (Personal).

Simmons, J., Small Purchase Supervisor, Naval Supply Center, Norfolk, Va., 16 March 1984 (Personal).

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14. Commanding Officer 1
Naval Supply Center
(Code 200)
San, Diego California 92132

15. Commander 1
Naval Material Command
(NAVMAT-02)
Washington, D.C. 20360

16. Commanding Officer 1
Naval Supply Center
(Code 200)
Norfolk, Virginia 23512

17. Commanding Officer 1
Naval Supply Center
(Code 200)
Oakland, California 94625

18. Lcdr. K.R. Huff 2
8496 Middle Run Drive
Springfield, Virginia 22153

19. Lcdr. R.D. Bales 2
410 Bella Place
Alamo, California 94507

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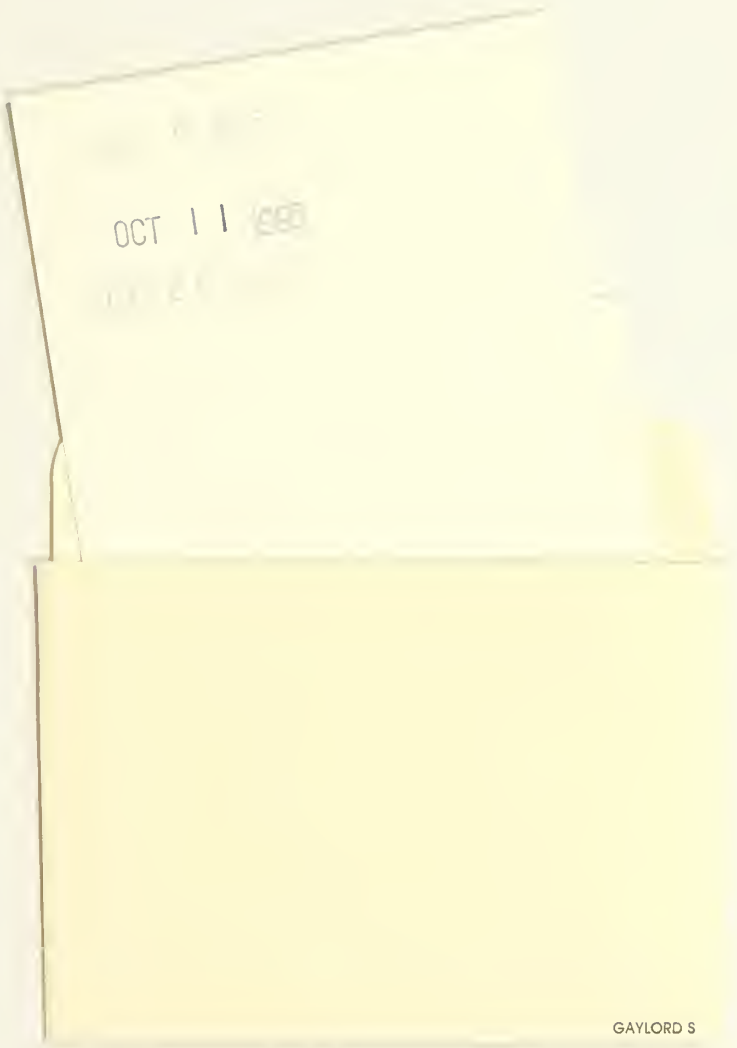

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